

MASON CITY
CHARLES H. MACNIDER MUSEUM

**CITY OF
MASON CITY, IOWA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

INTRODUCTORY SECTION

**CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

T A B L E O F C O N T E N T S

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents	i-iii
City Officials	iv
Organizational Chart	v
Transmittal Letter	vi-xiii
Certificate of Achievement	xiv
	 <u>Exhibit</u>
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1 14-15
Statement of Activities	2 16-17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	3 18-20
Statement of Revenues, Expenditures and Changes in	
Fund Balances	4 21-23
General Fund - Statement of Revenues, Expenditures and Changes	
in Fund Balances - Budget to Actual	5 24-25
Road Use Tax Fund - Statement of Revenues, Expenditures and	
Changes in Fund Balances - Budget to Actual	6 26-27
Proprietary Funds:	
Statement of Net Position	7 28-31
Statement of Revenues, Expenses and Changes in	
Net Position	8 32-33
Statement of Cash Flows	9 34-37
Fiduciary Funds:	
Statement of Net Position	10 38
Statement of Changes in Fiduciary Net Position	11 39
Notes to Financial Statements	40-75
Required Supplementary Information:	
Other Post Employment Benefit Plan Schedule of Funding Progress	1 76
Schedule of the City's Proportionate Share of the Net Pension	
Liabilities - IPERS.	2 77
Schedule of City Contributions - IPERS.	3 78-79
Notes to Required Supplementary Information - Pension Liability -	
IPERS.	80-81
Schedule of the City's Proportionate Share of the Net Pension	
Liabilities - MFPRSI	4 82

Schedule of City Contributions - MFPRSI	5	83-84
Notes to Required Supplementary Information - MFPRSI		85

Schedule

Supplementary Information:

Nonmajor Governmental Funds:

Combining Balance Sheet	1	86-89
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	2	90-93

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget to Actual:

Special Revenue Funds:

HMGP Voluntary Acquisition	3	94
FMA Voluntary Acquisition	4	95
Unified TIF	5	96
Police Retirement	6	97
Fire Retirement	7	98
Employee Retirement	8	99
Library Trust	9	100
Softball Improvement Trust	10	101
Youth Softball Complex Trust	11	102
Hotel/Motel Tax Special Revenue Fund.	12	103
City Administered Grants.	13	104
Housing	14	105
LHAP.	15	106

Debt Service Fund	16	107
-----------------------------	----	-----

Capital Projects Fund:

Local Option Capital Improvement	17	108
--	----	-----

Permanent Fund:

MacNider Museum Trust	18	109
---------------------------------	----	-----

Nonmajor Enterprise Funds:

Combining Statement of Net Position	19	110-113
Combining Statement of Revenues, Expenses and Changes in Net Position	20	114-115
Combining Statement of Cash Flows	21	116-119

Internal Service Funds:

Combining Statement of Net Position	22	120
Combining Statement of Revenues, Expenses and Changes in Net Position	23	121
Combining Statement of Cash Flows	24	122-123

Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	25	124
Schedule by Function and Activity	26	125-126
Schedule of Changes by Function and Activity	27	127-128

STATISTICAL SECTION

Statistical Section		129
Net Position by Component	1	130-131
Change in Net Position.	2	132-135
Fund Balances - Governmental Funds	3	136-137
Change in Fund Balance - Governmental Funds	4	138-139
General Governmental Tax Revenues by Source	5	140
Assessed and Actual Value of Taxable Property	6	141-142
Property Tax Rates - Direct and Overlapping Governments	7	143-144
Principal Property Tax Payers	8	145-146
Property Tax Levies and Collections	9	147-148
Ratio of Outstanding Debt by Type	10	149-150
Ratio of Net General Obligation Bonded Debt to Assessed Value and Per Capita	11	151
Direct and Overlapping Governmental Activities Debt	12	152
Legal Debt Margin Information	13	153-154
Pledged Revenue Coverage - Sewer	14	155
Pledged Revenue Coverage - Water	15	156
Demographic Statistics	16	157
Principal Employers	17	158-159
Full-Time Equivalent City Employees by Function	18	160-161
Operating Indicators by Function/Program	19	162-163
Capital Asset Statistics by Function/Program	20	164-165

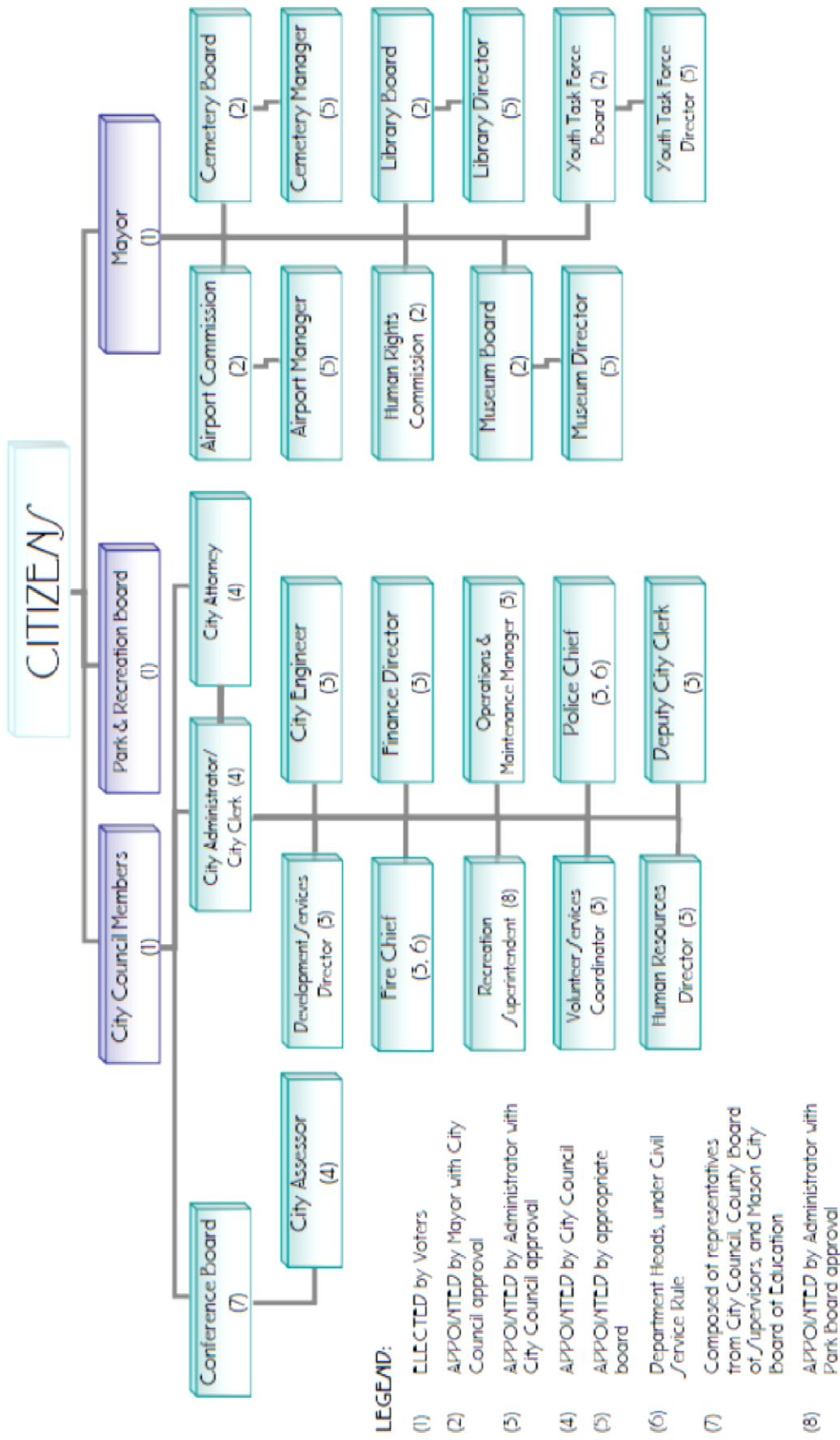
COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		166-167
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		168-169
Schedule of Expenditures of Federal Awards		170-173
Schedule of Selected Expenditures of State Awards		174
Notes to Schedule of Expenditures of Federal Awards		175
Schedule of Findings and Questioned Costs		176-182
Corrective Action Plan for Federal Audit Findings		183
Summary Schedule of Prior Audit Findings		184

**CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2015**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Bookmeyer	Mayor	2017
Scott Tornquist	Mayor Pro-Tem (thru 6/4/15)	2017
Alex Kuhn	Mayor Pro-Tem (effective 6/16/15)	2015
Bill Schickel	Council Member (effective 8/18/15)	2017
John Lee	Council Member	2015
Jean Marinos	Council Member	2015
Travis Hickey	Council Member	2017
Janet Solberg	Council Member	2017
 Brent Trout	 City Administrator/Clerk	 2015
Mark Rahm	Public Works Director	2015
Kevin Jacobson	Director of Finance/Treasurer	2015
Mark Young	City Attorney, Magistrate	2015
Randy Nielsen	City Attorney, Civil Law	2015
James Locher	Airport Attorney	2015
Perry Buffington	Human Resources Manager	2015
Michael Lashbrook	Police Chief	2015
Robert Platts	Fire Chief	2015
Steven Van Steenhuyse	Growth Development and Planning Director	2015
William Stangler	Operations and Maintenance Manager	2015
William Stangler	Parks Manager	2015
Brian Pauley	Recreation Manager	2015
Pam Osgood	Airport Manager	2015
Edith Blanchard	MacNider Museum Director	2015
Mary Markwalter	Library Director	2015
Randy Opheim	Elmwood Cemetery Manager	2015

City of Mason City





10 First Street Northwest
Mason City, IA 50401-3224
(641) 421-3600
www.masoncity.net

December 29, 2015

The Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

The Comprehensive Annual Financial Report of the City of Mason City, Iowa for the fiscal year ended June 30, 2015 (FY15) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes a table of contents, a list of City Officials, the organizational chart, this transmittal letter, and a copy of the Certificate of Achievement for Excellence in Financial Reporting earned for the fiscal year ended June 30, 2014. The financial section includes management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules for the fiscal year ended June 30, 2015, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

GAAP require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mason City's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENTAL STRUCTURE

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected at large. The Mayor is elected at large for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Twelve departments are under the direction of the City Administrator. The City Attorney is a contracted position under the direction of the City Administrator. Six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport, Human Rights Commission, and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Growth Development and Planning, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation, Police and Volunteer Services. The Neighborhood Services Division oversees Transit, Health, Inspections and Animal Control services. The City owns the Mason City Public Library, the Highland Park Golf Course and the Mason City Municipal Airport.

ECONOMIC CONDITION AND OUTLOOK

The City's Development Services Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The buyout and demolition efforts related to the June 8, 2008 flood event in the community are essentially complete, although a small area of an additional nine homes has been identified for a flood-related buyout. A Buyout Administrator coordinates this effort. A total of 169 houses were purchased and either demolished or moved due to the 2008 flood; the land will become permanent public open space. Fortunately, the business and industrial areas of the community suffered limited flood losses. Four historic houses, including the 1938 Egloff House, have been moved out of the floodplain to new foundations on the 300 Block of East State Street. This effort has spurred revitalization of the neighborhood lying between Frank Lloyd Wright's Historic Park Inn Hotel and his Stockman House (now a historic museum).

The City continues to work with the North Iowa Corridor Economic Development Corporation (NICEDC), to promote and facilitate job creation and capital investment in the Mason City area. The NICEDC is a county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

NICEDC is partially funded by Mason City to serve as the City's economic development marketing and recruitment arm. They provide information and support to prospective employers, maintain a database of available buildings and sites within the region and partner with numerous local, regional, state and national organizations to market and recruit business to North Iowa. Key industries targeted by NICEDC are warehousing, value-added agriculture, food processing and advanced manufacturing.

Accomplishments for the past fiscal year include:

- Administered the IEDA Site Certification program application for the City of Mason City, completing all the necessary engineering, archeological, and architectural services. Final application was submitted in spring of 2015 and official announcement of the Iowa certified shovel-ready site was made in July 2015.
- Conducted a direct-mail campaign in mid-August 2015 to 390+ contacts (site consultants, real estate and economic development partners) highlighting Mason City's Indianhead South certified shovel-ready site.
- Workforce initiatives: working in collaboration with local schools and North Iowa Area Community College to further post-high school degree attainment, engage our youth in the local business culture to encourage staying in the area post high school, and grow our curricula to meet current and future workforce needs.

- Data collected for NorthIowaCorridor.com shows an average of 1,139 visits per month to the site. Twenty percent of those visits are unique each month, meaning they've never landed on our site before. Visitors are averaging one minute of interaction with the site with the heaviest traffic being captured on the 'About' pages, 'Contact' pages, and 'Business Climate' pages, including Buildings and Sites. Traffic rates and visit patterns are monitored, supported, and promoted to ensure the Corridor's marketing message is communicated and received by our core audiences: Site Selectors, Corridor Investors & Stakeholders, and the Community.
- Promoted industrial park initiatives along the Avenue of the Saints and the I-35 corridor.
- Promoted and marketed a number of industrial sites in Mason City's South Industrial Park and other areas of the city, as well as a number of industrial and commercial buildings.
- Hosted IEDA and/or commercial real estate-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages in some instances.

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, remains a competitive force for economic development in North Central Iowa.

EXPANDED AND NEW INDUSTRIES 7/1/14 – 6/30/15

The valuation of expanded industrial development totaled approximately \$15,803,975 while new or expanded commercial and industrial development together totaled \$19,364,675 (these figures are based on construction value used to calculate permit fees). The largest commercial development project was \$6,649,511. Major developments in our institutional sector include the recently completed energy center and loading dock project at Mercy – North Iowa Medical Center (valued at \$1,172,000) and North Iowa Community College, who completed construction of a new dormitory and a major expansion to the Diesel Technology Center.

Other commercial and industrial ventures commenced or were completed in FY15, including a new Hampton Inn and Suites Hotel, which will open in 2016; an accompanying outlot building accommodating two new restaurants and a new commercial strip near the North Iowa Events Center containing three storefronts (which will include a drive-through Starbucks store). Other industrial projects include a new cogeneration facility at Golden Grain Biofuels and a new service center for Alliant Energy (consolidating operations from several locations to a central campus).

DOWNTOWN

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the downtown area. The Federal Avenue Streetscape project, completed in 2012, continues to serve as a catalyst for downtown redevelopment. In 2014, the Downtown Façade Rehabilitation Program was completed, with several facades completed by the end of the year. This program, funded with a \$500,000 CDBG grant, was used to rehabilitate 11 historic facades in the downtown area and has leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of the CDBG grant, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

The MSMC organization and its many volunteers provide a program that includes economic development, organizational development, promotions/events/marketing and design (appearance) improvements in the downtown, including the following:

- Over \$583,000 in private investment in 39 structures was tracked in the past year.
- Three (3) new business starts and 3 property sales occurred in the district in the past year.
- There was a net increase in downtown employment of one full-time equivalent employee.
- Conducted promotional events, including Winter Wine, the Friday Night Live summer concert series, the Great River City Festival and Home for the Holidays, with record attendance at each.
- Tracked over 3,631 volunteer hours.
- Continued recognition as a National Main Street Community.

HOUSING

Housing construction for Fiscal Year 2015 included 12 single-family dwellings, and 3 duplexes (6 units), for a total of 18 new housing units. The number of single family dwelling units built is slightly lower than that of previous years. Twenty-One (21) single-family dwellings were demolished. After comparing the number of housing units built by the number demolished, the net loss for housing in FY15 totals 3 dwelling units for the community.

Two major housing projects for seniors got their start in FY15. Legacy Manor II consists of 48 new apartments which will complement the adjacent 48-unit Legacy Manor I. Good Shepherd Care Center is constructing a 36-unit independent living facility across the street from their managed care center.

TRAFFIC

In 2015, the Mason City Engineering Department completed the following transportation improvement projects within the City of Mason City. The purpose of these projects is to upgrade the existing network to accommodate increases in vehicular and pedestrian traffic. The upgrades also increase the safety level for users, and where the street is resurfaced, restores a safer driving surface for motorists.

The 2015 Street Rehabilitation Program also included utility improvements, pavement patching, pedestrian crossing upgrades, curb and gutter replacement, and a HMA overlay. The total length of this project was 4,160 feet and was performed on designated streets at various locations within the City of Mason City.

The Pedestrian Trail Improvements Project Phase 1 included 10 foot wide HMA pedestrian trail extensions and improvements. The locations of trail extensions were on 9th Street SW, Birch Drive and a new trail connecting North Quincy Avenue under the 12th Street Overpass. These new additions total approximately 2,400 feet of new trail. Approximately 2,600 feet of the Willow Creek Trail was improved with a HMA surface. Altogether, a total of 5000 feet of new 10 foot wide HMA trail was placed.

FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2015 provided instances of material weakness in the internal control structure.

Internal Controls: To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2015.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$18,458,020	70.14%
Licenses and Permits	580,014	2.20
Intergovernmental	5,193,647	19.74
Service Revenues	747,042	2.83
Fines and Forfeitures	59,722	0.23
Use of Monies and Properties	654,126	2.49
Special Assessments	22,988	0.09
Miscellaneous	589,452	2.24
Refunds	11,077	0.04
Total	<u>\$26,316,088</u>	<u>100.00%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2015.

Expenditures	Amount	Percent of Total
Public Safety	\$10,068,835	34.81%
Public Works	3,488,692	12.06
Health and Social Services	439,271	1.52
Culture and Recreation	3,184,421	11.01
Community & Economic Development	2,228,117	7.70
General Government	2,454,268	8.49
Capital Projects	2,857,945	9.88
Debt Service	4,202,961	14.53
Total	<u>\$28,924,510</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY15 with a fund balance of \$6,966,813 compared to \$5,701,480 on June 30, 2014. This was due to a \$1,265,480 increase of revenues over expenditures for FY15.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$111,944 in FY15, an increase of 27.5% from FY14. Operating expenses were \$319,730 in FY15, an increase of 2.5% from FY14. Net income was \$56,489 in FY15, a 11.9% increase from FY14.
2. Waterworks Fund - Operating revenues were \$5,672,300 in FY15, an increase of 2.6% from FY14. Operating expenses were \$4,563,868 in FY15, a decrease of 2.1% from FY14. Net income was \$805,596 in FY15, a 40.3% increase from FY14.
3. Sewer Rental Fund - Operating revenues were \$4,261,982 in FY15, an increase of 3.2% from FY14. Operating expenses were \$3,287,743 in FY15, an increase of 2.1% from FY14. Net income was \$620,955 in FY15, a 22.2% increase from FY14.
4. Parking Lots Fund - Operating revenues were \$43,704 in FY15, a decrease of 31.9% from FY14. Operating expenses were \$124,325 in FY15, a decrease of 4.9% from FY14. Net income was \$(46,243) in FY15, a 97.1% decrease from FY14.
5. Storm Sewer Fund - Operating revenues were \$290,965 in FY15, an increase of 0.1% from FY14. Operating expenses were \$166,927 in FY15, an increase of 18.3% from FY14. Net income was \$125,912 in FY15, a 44.7% increase from FY14.
6. Solid Waste Fund - Operating revenues were \$1,340,995 in FY15, an increase of 4.7% from FY14. Operating expenses were \$1,392,178 in FY15, an increase of 4.4% from FY14. Net income was \$(49,014) in FY15, a 4.7% decrease from FY14.
7. Golf Course Fund - Operating revenues were \$377,962 in FY15, an increase of 0.7% from FY14. Operating expenses were \$438,142 in FY15, an increase of 0.4% from FY14. Net income was \$83,101 in FY15, a 319.2% increase from FY14.
8. Ambulance Fund - Operating revenues were \$1,973,619 in FY15, an increase of 27.5% from FY14. Operating expenses were \$1,670,998 in FY14, an increase of 0.6% from FY14. Net income was \$329,922 in FY14, a 402.7% increase from FY14.

INTERNAL SERVICE FUNDS

The Central Services Internal Service Fund is used to account for the costs of the centralized service operations, and the Employee Health Care Fund is used to account for the payment of health insurance costs and the reimbursement of employee's portion of costs.

FIDUCIARY FUNDS

Fiduciary Funds are established to account for assets held by the governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

DEBT ADMINISTRATION

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The following shows this information as of June 30, 2015:

	<u>Amount</u>	<u>RATIOS</u>	
		<u>Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Bonded Debt	\$27,257,420	2.51%	\$970.74

The City issued \$6,335,000 of General Obligation bonds during the year to fund various public works, parks and utility-related projects.

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unassigned general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, LOST, Water, Sewer and Sanitation. During FY 2015, the City met all fund balance policies.

As a guideline for the budget process the City uses the established financial and budget policies which are reviewed and adopted annually by the City Council in connection with the budget process. Some of the goals of the financial policies include preserving capital through prudent budgeting and financial management, achieving a stable balance between the City's ongoing financial commitments and the continuing revenues available to the City, and to leverage local dollars with Federal and State funding grants. These financial policies ensure the City has appropriately recorded and accounted for transactions in our financial statements.

The City's adopted financial and budget policies generally provide for the City to use unrestricted cash reserves, not to exceed 5% of the projected year-end level, to keep the tax levy rate from increasing in the next fiscal year. Reserve use greater than 5% will need City Council approval. For fiscal year 2015, the City used approximately \$209,000 of General Fund reserves to maintain the General Fund levy.

The City Council annually adopts a five-year Capital Improvement Plan. The plan identifies capital projects associated with the various departments throughout the City. It also shows the funding source for each of the projects. Major funding sources for capital projects include new debt, Local Option Sales and Service Tax, Road Use Tax and proprietary revenues.

The City Council approves the Debt Service policy during the budget process. The policy establishes the following measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt payment to 25% of the total general operating budget. Second, debt maturities shall be for the shortest time possible under the circumstances, and in no situation will debt maturities exceed the useful life of the asset being acquired or constructed.

Third, the debt service property tax rate will be maintained between \$2.00 to \$3.00 per \$1,000 of valuation. Voter approved debt is removed from this calculation. Finally, the City's debt shall be rated by Moody's Investor Services and the City shall maintain its current "Aa2" rating.

The City Council also adopted Debt Service, Investment and Fund Transfer policies.

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY15 was made by Kronlage & Olson, P.C., Certified Public Accountants. Their opinion has been included in this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kevin E. Jacobson
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Mason City
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**FINANCIAL
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA
John C. Olson, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mason City Housing Authority, which represents the entire assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Mason City Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 13 and page 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, capital asset schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The budgetary comparison statements, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison statements, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City of Mason City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mason City, Iowa's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa

December 29, 2015

City of Mason City, Iowa Management's Discussion and Analysis

As management of the City of Mason City, we offer the readers of the City of Mason City's financial statements this narrative overview and analysis of the financial activities of the City of Mason City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi-xiii of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2015, by \$151.01 million (net position including the July 1, 2014 restatement due to GASB 68 reporting requirements). Of this amount, \$12.60 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$540,650 including the effect of the July 1, 2014 restatement of net pension liability due to GASB 68 requirements.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21.34 million, an increase of \$1.65 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.5 million, or 31.75% of the total general fund expenditures.
- Total debt decreased by approximately \$388,000 (0.8%) during the current fiscal year. The City of Mason City issued approximately \$6,335,000 of new bonds and retired approximately \$6.72 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mason City's basic financial statements. The City of Mason City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mason City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, cemetery services, and street operations and maintenance. The business-type activities of the City include the water and wastewater treatment facilities, storm sewer system, solid waste collection, ambulance service, parking lots and the golf course. The City's two component units, the Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit.

The government-wide financial statements can be found on pages 14-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mason City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mason City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mason City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Use Tax Fund and Debt Service Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mason City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

Proprietary Funds

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business-type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 28-37 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 38-39 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-75 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$151,009,582 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net position (88.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending June 30, 2015 and June 30, 2014.

City of Mason City's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current & other assets	\$ 41,700,894	\$ 25,450,137	\$ 9,207,807	\$ 7,798,979	\$ 50,908,701	\$ 33,249,116
Capital assets	105,536,914	109,863,747	74,338,680	74,716,599	179,875,594	184,580,346
Deferred Outflows	4,070,026	14,380,624	1,074,377	137,300	5,144,403	14,517,924
Total assets &						
deferred outflows	151,307,834	149,694,508	84,620,864	82,652,878	235,928,698	232,347,386
Long-term liabilities outstanding	27,310,104	18,260,492	25,191,327	22,094,739	52,501,431	40,355,231
Other liabilities	6,820,281	6,581,926	4,000,861	4,865,776	10,821,142	11,447,702
Deferred Inflows	19,825,790	14,409,201	1,770,753	137,900	21,596,543	14,547,101
Total liabilities &						
deferred inflows	53,956,175	39,251,619	30,962,941	27,098,415	84,919,116	66,350,034
Net Position:						
Net investment in capital assets	84,727,602	88,920,358	49,472,024	49,736,029	134,199,626	138,656,387
Restricted	1,347,926	1,168,474	2,861,234	2,854,605	4,209,160	4,023,079
Unrestricted	11,276,131	20,354,057	1,324,665	2,963,829	12,600,796	23,317,886
Total	\$ 97,351,659	\$ 110,442,889	\$ 53,657,923	\$ 55,554,463	\$ 151,009,582	\$ 165,997,352

A portion of the City of Mason City's net position (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$12,600,796) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net position, both for governmental as a whole, as well as separate governmental and business-type activities. As projects are finalized and closed, the majority are financed through the issuance of bonds, which are then repaid through the debt service levy, tax-increment financing or increased enterprise rates.

There was a decrease of \$1,126,912 in unrestricted net position for the City of Mason City's primary governmental activities. The decrease in governmental activities unrestricted net position is due mainly to City Council approved draws on reserves and payment for prior year capital projects completed this fiscal year.

The government's net position increased by \$540,651 for the current fiscal year. Most of the increase was due to the additional fees collected in the business-type funds.

City of Mason City Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Charges for services	\$ 1,417,322	\$ 1,410,301	\$ 14,107,827	\$ 13,350,560	\$ 15,525,149	\$ 14,760,861
Operating grants & contributions	4,357,766	3,957,726	-	-	4,357,766	3,957,726
Capital grants & contributions	1,387,300	2,531,898	-	-	1,387,300	2,531,898
General Revenues:						
Taxes	21,735,723	19,857,731	137,372	126,798	21,873,095	19,984,529
Investment earnings	682,226	641,132	86,078	71,380	768,304	712,512
Miscellaneous	58,781	106,062	164,043	123,060	222,824	229,122
Total revenues	29,639,118	28,504,850	14,495,320	13,671,798	44,134,438	42,176,648
Expenses:						
Public safety	10,241,751	10,446,427	-	-	10,241,751	10,446,427
Public works	10,250,497	8,903,627	-	-	10,250,497	8,903,627
Health & social services	439,606	511,107	-	-	439,606	511,107
Culture & recreation	4,149,775	4,177,101	-	-	4,149,775	4,177,101
Community & econ development	2,289,522	2,370,711	-	-	2,289,522	2,370,711
General government	2,518,372	2,485,932	-	-	2,518,372	2,485,932
Interest on debt	755,292	736,324	-	-	755,292	736,324
Water	-	-	4,975,418	5,092,230	4,975,418	5,092,230
Sewer	-	-	3,749,185	3,741,731	3,749,185	3,741,731
Other	-	-	4,224,369	4,238,188	4,224,369	4,238,188
Total expenses	30,644,815	29,631,229	12,948,972	13,072,149	43,593,787	42,703,378
Increase in net position before transfers	(1,005,697)	(1,126,379)	1,546,348	599,649	540,651	(526,730)
Transfers	(121,215)	(100,378)	121,215	100,378	-	-
Increase in net position	(1,126,912)	(1,226,757)	1,667,563	700,027	540,651	(526,730)
Net position 7-1-2014 (as restated)	98,478,571	99,705,328	51,990,360	51,290,333	150,468,931	150,995,661
Net position 6-30-2015	\$ 97,351,659	\$ 98,478,571	\$ 53,657,923	\$ 51,990,360	\$ 151,009,582	\$ 150,468,931

Governmental Activities

The governmental activities' net position for the City of Mason City decreased by \$1,126,912 during the current fiscal year, accounting for a large reduction of the overall increase in the net position of the City of Mason City. The majority of the decrease governmental activities net position is due to the continued use of reserves for the construction of the Blue Zones Trail Project which will be a phased in project over a 5 year time frame and the City Council approved use of reserves in special revenue funds to help maintain the tax levy at the FY 2014 level.

Business-type Activities

Total net position increased by \$1,667,563, for fiscal year 2015, accounting for all of the increase in the City of Mason City's net position. The increase is due to the City increasing utility rates and the continued upgrades of the water and sanitary sewer system and vehicle purchases for the ambulance department.

Charges for services for business-type activities increased 5.67%. Water and Sewer revenues were up from the prior year resulting in the increased. Ambulance calls were up slightly resulting in revenues also being up slightly from the prior year contributing to the increase. All business-type fund rates remained the same as the prior year except Water which increased 3.36% and Sanitation which increased 4.69%.

Operating expenses for business-type activities decreased by 0.95%. Expenses in the Water fund decreased by 2.3% while Sewer expenses increased by 0.4%. The other business-type expenses decreased by 0.3%.

Financial Analysis of the Government's Funds

As noted earlier, the City of Mason City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories and prepaid expenses. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21,335,546, an increase of \$1,648,256 in comparison with the prior year. The increase is due to the delay in completing the initial phase of the trails project which was bonded for \$1.8 million. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed for; 1) nonspendable for endowment principal and prepaid expenses (\$697,973); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$13,739,976); and 3) assigned purposes such as Airport, Museum, Library and Recreation (\$1,398,818).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,531,032 while total fund balance reached \$6,966,813. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.94% of total General Fund expenditures, while total fund balance represents 40.23% of that same amount.

The General Fund balance increased by \$1,265,333. The major factor in this increase is as follows:

- The city wide trails project is a bonded project. The City issued \$1.8 million in bonds for this project and has completed approximately 15% of the project at years end.

The Road Use Tax Fund has a total fund balance of \$2,595,941. The net increase of \$760,062 is due to following:

- Additional taxes collected above budgeted amounts.
- The Street Light project was not completed in FY 2015 but carried over into FY 2016.

The Debt Service Fund has a total fund balance of \$202,580. The net increase of \$173,696 in fund balance during the current year in the debt service fund is due to the premium on the sale of bonds. The premium included in fund balance will be used in future years to offset some of the Debt Service tax levy for bonds.

During the fiscal year, the City of Mason City issued bonds for the following projects:

- \$6,335,000 General Obligation bonds for Police equipment, Fire building upgrades, Cemetery equipment, Street projects and a new Water tower

The basic governmental fund financial statements can be found on pages 18-27.

Proprietary Funds

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$3,966,447. Water reported an increase in net position of \$805,596 and Sewer reported an increase of \$620,955. Water rates were increased 3.36% and Sanitation rates were increase by 4.69%. Sewer and all other business-type funds had no rate increase. The increase in Water is due to the additional revenues from the year's rate increase and increase in usage by the customers. The increase in the Sewer fund is due mainly to the increased usage in Water consumption which directly affects the billings for Sewer.

The Capital Improvements Plan identifies and quantifies capital needs for the next several years. Rates in Water and Sanitation proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years. The Sewer rate should remain stable as the fund has paid debt that allows those funds to be used for capital projects in the future.

General Fund Budgetary Highlights

Differences between original and final budget revenues amounted to \$195,492 and the significant items are summarized as follows:

- Miscellaneous revenues included various grants and donations totaling \$195,492 for Police, Youth Task Force, Parks projects and an Airport grant.

The variance between the amended revenue budget and actual revenues was due mainly to not requesting the grants included in the budget during the fiscal year due to delays in capital projects.

Differences between original and final budget expenses amounted to \$659,439 and the significant items are summarized as follows:

- Public safety for Chapter 411 medical cost and office equipment were increased by \$130,000.
- Transit costs were increased by \$207,925 due to an invoicing error by the vendor and additional maintenance costs for City buses.
- Health and Social Services was increased by \$49,292 for Youth Task Force activities originally not budgeted but funded through new state grants.
- Parks equipment was increased by \$39,200.
- General Government increased by \$210,000 for additional cost associated with the health insurance, liability insurance expense and additional tourism expenses for Hotel tax.

The variance between the amended expenditure budget and actual expenses was due mainly to delays in not completing some large capital projects.

Capital Asset and Debt Administration

Capital Assets

The City of Mason City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$179,875,594 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Replaced various pieces of equipment at the Police Department.
- Replaced an ambulance.
- Continued work on replacement of the boiler at City Hall.
- The Airport rehabbed the runway lights.
- Several street projects including street rehabilitation, curb and sidewalk replacement and pavement markings for trails were completed.
- Several parks enhancements including East Park improvements including trail maintenance, band shell improvements, softball park improvements and a vehicle were completed.
- Continued work on the new construction of the south water tower.
- Water main reroutes were completed throughout the City.
- The inflow and infiltration project continues to update the sewer infrastructure.

City of Mason City's Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	14,794,503	15,588,551	11,884,128	12,186,782	26,678,631	27,775,333
Other Improvements	17,611,848	17,609,177	217,349	215,543	17,829,197	17,824,720
Machinery & Equip	1,404,311	1,574,678	1,128,442	1,194,565	2,532,753	2,769,243
Vehicles	3,075,628	3,256,915	1,212,524	1,291,071	4,288,152	4,547,986
Infrastructure	47,246,930	49,878,254	53,932,879	53,870,388	101,179,809	103,748,642
Const in Progress	18,769,338	19,321,816	1,139,996	1,134,888	19,909,334	20,456,704
Total	\$ 105,536,914	\$ 109,863,747	\$ 74,338,680	\$ 74,716,599	\$ 179,875,594	\$ 184,580,346

Additional information on the City of Mason City's capital assets can be found in note 6 on pages 53-54 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year-end was \$45.69 million as compared to \$46.08 million last fiscal year. The decrease is a result of pay down of outstanding debt while not issuing as much new debt for FY 2015 projects. New debt was issued for Police equipment, Fire building upgrades, Cemetery equipment, Street projects and a new Water tower. Of the total general obligation debt outstanding, \$20.675 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water, sewer or ambulance revenues.

City of Mason City's Outstanding Debt						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation	\$20,675,000	\$20,936,911	\$ 6,785,000	\$ 4,919,090	\$27,460,000	\$25,856,001
Revenue bonds	-	-	18,231,000	20,223,000	18,231,000	20,223,000
Total	\$20,675,000	\$20,936,911	\$25,016,000	\$25,142,090	\$45,691,000	\$46,079,001

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa2.

For more detailed information on the City's debt and amortization terms, please refer to Notes to the Financial Statements on page 65.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$83,252,607 and the City of Mason City is currently at \$27,460,000 or 32.98% of its outstanding general obligation debt. As a comparison, the legal debt limit was \$83,237,735 and Mason City had issued \$25,820 or 31.02% of its legal debt capacity for the previous fiscal year.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 65-67 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2015 is 5.3%. The unemployment level for June 2014 was 6.1%. Cerro Gordo County's rate for June 2015 is 4.6%, and the state's rate is 3.6%.
- The hourly wage rate in Cerro Gordo County averaged \$18.78 for 2014 and \$19.10 for 1st quarter 2015.
- Retail sales in Cerro Gordo County were \$687.5 million for fiscal year ending 2015, slightly down from \$683.7 million in fiscal year 2014 and \$696.4 million in fiscal year 2013.
- The total value of building permits for fiscal year 2015 was approximately \$43.07 million. This compares with an amount of \$62.1 million for fiscal year 2014.

Next Year's Budget and Rates

For FY 2015, department managers were instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 74% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to continue with a similar amount of spending on improvements for water and sewer infrastructure as well as to continue spending on street improvements. There are anticipated increases in fees for water being projected for FY 2016, due to the South Federal water tower construction in FY 15. There are several capital projects currently under consideration for the FY 2016 budget. The capital projects will be funded with General Obligation or revenue bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2015. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be around the 75th percentile of surveyed cities in Iowa that provide similar services.

Effect of New Governmental Accounting Standards

Beginning in fiscal year 2015, Statement No. 68 of the Governmental Accounting Standards Board requires changes to the City's pension accounting and reporting. The net pension liability (NPL) defined by the pronouncement, similar to the unfunded actuarial accrued liability disclosed in Note 7 in the financial statements, will be reported as a liability on the government-wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net pension expense, regardless of when this expense will be funded. The Net Pension Liability is in addition to the Net OPEB Obligation we have reported in the past. The OPEB obligation is related to the implicit rate subsidy for the City's health insurance plan. The Net Pension Liability is related to Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRS). The Net OPEB Obligation is \$869,934 and the Net Pension Liability is \$11,974,529. The increase in NPL is also shown as a decrease in Unrestricted Net Position balance for FY 2015.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Kevin E. Jacobson, Finance Director, City of Mason City, 10 1st Street N.W., Mason City, Iowa 50401.

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Current assets:				
Cash	\$ 11,943,185	\$ 2,920,452	\$ 14,863,637	\$133,214
Investments	11,015,415	3,150,050	14,165,465	
Receivables:				
Taxes	210,350	1,629	211,979	-
Succeeding year property taxes	13,863,145	148,623	14,011,768	-
Special Assessments	157,415	21,376	178,791	-
Succeeding year special assessments	97,102	-	97,102	-
Accounts (net)	20,545	2,299,857	2,320,402	22,074
Accrued interest	8,882	3,496	12,378	-
Internal balances	2,606,514	(2,606,514)	-	-
Due from other governments	1,083,536	-	1,083,536	32,870
Prepaid insurance	164,424	52,102	216,526	-
Prepaid expenses	-	-	-	6,541
Inventory	18,673	354,376	373,049	-
Total current assets	\$ 41,189,186	\$ 6,345,447	\$ 47,534,633	\$194,699
Noncurrent assets:				
Restricted assets:				
Cash	\$ 3,554	\$ 1,110,244	\$ 1,113,798	\$ 78,712
Investments	507,950	1,750,000	2,257,950	-
Receivables	204	2,116	2,320	-
Capital assets:				
Land and construction in progress	21,403,694	5,963,358	27,367,052	-
Other capital assets net of depreciation	84,133,220	68,375,322	152,508,542	11,095
Total noncurrent assets	\$106,048,622	\$77,201,040	\$183,249,662	\$ 89,807
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	\$ 4,070,026	\$ 1,074,377	\$ 5,144,403	\$ 25,513
Total assets and deferred outflows of resources	\$151,307,834	\$84,620,864	\$235,928,698	\$310,019

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,536,331	\$ 456,573	\$ 1,992,904	\$ 2,798
Salaries payable	371,972	133,685	505,657	10,201
Contracts payable	293,637	189,187	482,824	-
Accrued compensated absences	1,231,241	322,375	1,553,616	11,629
Accrued interest payable	53,075	52,799	105,874	-
Due to other governments	4,025	33,846	37,871	-
Due to customers	-	89,515	89,515	-
Prepaid interments	-	33,281	33,281	-
Unearned Revenue	9,999	600	10,599	246
Current portion of long-term debt:				
Bonds payable	3,330,000	2,689,000	6,019,000	-
Total current liabilities	<u>\$ 6,830,280</u>	<u>\$ 4,000,861</u>	<u>\$ 10,831,141</u>	<u>\$ 24,874</u>
Noncurrent liabilities:				
Bonds payable	\$17,479,312	\$22,177,656	\$ 39,656,968	\$ -
Net OPEB obligation	609,120	260,814	869,934	-
Accrued compensated absences	-	-	-	822
Net pension liability	<u>9,221,672</u>	<u>2,752,857</u>	<u>11,974,529</u>	<u>117,287</u>
Total noncurrent liabilities	<u>\$27,310,104</u>	<u>\$25,191,327</u>	<u>\$ 52,501,431</u>	<u>\$118,109</u>
DEFERRED INFLOWS OF RESOURCES:				
Succeeding year property taxes	\$13,863,145	\$ 148,623	\$ 14,011,768	\$ -
Succeeding year special assessments	106,854	-	106,854	-
Pension related deferred inflows	<u>5,845,792</u>	<u>1,622,130</u>	<u>7,467,922</u>	<u>47,221</u>
Total deferred inflows of resources	<u>\$19,815,791</u>	<u>\$ 1,770,753</u>	<u>\$ 21,586,544</u>	<u>\$ 47,221</u>
Total liabilities and deferred inflows of resources	<u>\$53,956,175</u>	<u>\$30,962,941</u>	<u>\$ 84,919,116</u>	<u>\$190,204</u>
NET POSITION:				
Net investment in capital assets	\$84,727,602	\$49,472,024	\$134,199,626	\$ 11,095
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	\$ -
Perpetual care	511,708	-	511,708	-
HAP funding	-	-	-	78,712
Expendable:				
Bond retirement	202,580	2,861,234	3,063,814	-
Unrestricted	<u>11,276,131</u>	<u>1,324,665</u>	<u>12,600,796</u>	<u>\$ 30,008</u>
Total net position	<u>\$97,351,659</u>	<u>\$53,657,923</u>	<u>\$151,009,582</u>	<u>\$119,815</u>

See Notes to Financial Statements.

**CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$10,241,751	\$ 354,664	\$ 91,477
Public works	10,250,497	41,979	2,992,671
Health and social services	439,606	-	335,566
Culture and recreation	4,149,775	542,348	174,930
Community and economic development	2,289,522	133,355	763,122
General government	2,518,372	344,976	-
Interest on long-term debt	755,292	-	-
Total governmental activities	<u>\$30,644,815</u>	<u>\$ 1,417,322</u>	<u>\$4,357,766</u>
Business-type activities:			
Cemetery	\$ 331,137	\$111,944	\$ -
Water	4,975,418	5,672,300	-
Sewer	3,749,185	4,261,982	-
Parking lots	128,181	78,060	-
Storm sewer	166,928	290,965	-
Solid waste	1,439,651	1,340,995	-
Golf course	445,611	377,962	-
Ambulance	1,712,861	1,973,619	-
Total business-type activities	<u>\$12,948,972</u>	<u>\$14,107,827</u>	<u>\$ -</u>
Total primary government	<u>\$43,593,787</u>	<u>\$15,525,149</u>	<u>\$4,357,766</u>
Component unit:			
Mason City Housing Authority	<u>\$ 2,188,195</u>	<u>\$ 78,736</u>	<u>\$2,074,759</u>

General Revenues:

- Property taxes
- Other taxes
- Unrestricted state utility tax replacement
- Grants and contributions not restricted to specific program
- Unrestricted investment income
- Miscellaneous

Transfers

- Total general revenues and transfers
- Change in net position

Net position - beginning (as restated)

Net position - ending

See Notes to Financial Statements.

Revenue	Net (Expense) Revenue and Change in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (9,795,610)	\$ -	\$ (9,795,610)	\$ -
743,094	(6,472,750)	-	(6,472,750)	-
-	(104,040)	-	(104,040)	-
260,785	(3,171,712)	-	(3,171,712)	-
383,418	(1,009,627)	-	(1,009,627)	-
-	(2,173,396)	-	(2,173,396)	-
-	(755,292)	-	(755,292)	-
<u>\$1,387,300</u>	<u>\$ (23,482,427)</u>	<u>\$ -</u>	<u>\$ (23,482,427)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (219,193)	\$ (219,193)	\$ -
-	-	696,882	696,882	-
-	-	512,797	512,797	-
-	-	(50,121)	(50,121)	-
-	-	124,037	124,037	-
-	-	(98,656)	(98,656)	-
-	-	(67,649)	(67,649)	-
-	-	260,758	260,758	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,158,855</u>	<u>\$ 1,158,855</u>	<u>\$ -</u>
<u>\$1,387,300</u>	<u>\$ (23,482,427)</u>	<u>\$ 1,158,855</u>	<u>\$ (22,323,572)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,700)</u>
	\$ 16,054,359	\$ 137,372	\$ 16,191,731	\$ -
	5,525,372	-	5,525,372	-
	155,992	-	155,992	-
	6,460	-	6,460	-
	682,226	86,078	768,304	643
	52,321	164,043	216,364	-
	(121,215)	121,215	-	-
	<u>\$ 22,355,515</u>	<u>\$ 508,708</u>	<u>\$ 22,864,223</u>	<u>\$ 643</u>
	\$ (1,126,912)	\$ 1,667,563	\$ 540,651	\$ (34,057)
	<u>98,478,571</u>	<u>51,990,360</u>	<u>150,468,931</u>	<u>153,872</u>
	<u>\$ 97,351,659</u>	<u>\$53,657,923</u>	<u>\$151,009,582</u>	<u>\$ 119,815</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2015

	<u>General</u>	<u>Road Use Tax</u>
ASSETS:		
Cash	\$ 7,215,070	\$ 714,974
Investments	776,816	1,949,999
Receivables:		
Property taxes	135,831	1,365
Succeeding year taxes receivable	8,423,757	-
Accrued interest	3,398	-
Special assessments - current	64,986	76,433
Succeeding year special assessments receivable	-	1,126
Accounts (net)	19,979	-
Due from other funds	480,840	6,727
Due from state government	472,867	288,719
Due from federal government	107,485	-
Prepaid insurance	150,431	13,904
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	<u>\$17,851,460</u>	<u>\$3,053,247</u>
LIABILITIES:		
Accounts payable	\$ 369,631	\$ 147,808
Salaries payable	340,196	26,730
Contracts payable	103,856	189,781
Accrued vacation payable	1,148,605	71,784
Due to other funds	485,315	20,077
Due to state government	3,288	-
Unearned revenue	9,999	-
Total liabilities	<u>\$ 2,460,890</u>	<u>\$ 456,180</u>
DEFERRED INFLOWS OF RESOURCES:		
Succeeding year property taxes	\$ 8,423,757	\$ -
Succeeding year special assessments	-	1,126
Total deferred inflows of resources	<u>\$ 8,423,757</u>	<u>\$ 1,126</u>
FUND BALANCES:		
Nonspendable	\$ 150,431	\$ 13,904
Restricted	1,041,256	2,582,037
Assigned	244,094	-
Unassigned	5,531,032	-
Total fund balances	<u>\$ 6,966,813</u>	<u>\$2,595,941</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$17,851,460</u>	<u>\$3,053,247</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 3,795,891	\$11,725,935
400,000	6,947,986	10,074,801
35,387	25,678	198,261
2,845,537	1,350,124	12,619,418
575	4,256	8,229
-	15,996	157,415
-	95,976	97,102
-	566	20,545
14,114	356,297	857,978
-	214,465	976,051
-	-	107,485
-	-	164,335
-	3,554	3,554
-	507,950	507,950
-	204	204
<u>\$3,295,613</u>	<u>\$13,318,943</u>	<u>\$37,519,263</u>
\$ -	\$ 140,769	\$ 658,208
-	411	367,337
-	-	293,637
-	-	1,220,389
247,496	160,714	913,602
-	737	4,025
-	-	9,999
<u>\$ 247,496</u>	<u>\$ 302,631</u>	<u>\$ 3,467,197</u>
\$2,845,537	\$ 1,350,124	\$12,619,418
-	95,976	97,102
<u>\$2,845,537</u>	<u>\$ 1,446,100</u>	<u>\$12,716,520</u>
\$ -	\$ 533,638	\$ 697,973
202,580	9,914,103	13,739,976
-	1,154,724	1,398,818
-	(32,253)	5,498,779
<u>\$ 202,580</u>	<u>\$11,570,212</u>	<u>\$21,335,546</u>
<u>\$3,295,613</u>	<u>\$13,318,943</u>	<u>\$37,519,263</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Fund balances—total governmental funds		\$21,335,546
--	--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets.		18,673
---	--	--------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		105,515,512
---	--	-------------

Internal service funds, net position		2,950,873
--------------------------------------	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:

Bonds payable	\$ (20,675,000)	
Accrued interest	(53,075)	
Bond premium	(134,312)	
Net OPEB obligation	(609,120)	
Net pension liability	<u>(9,221,672)</u>	<u>(30,693,179)</u>

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 4,070,026	
Deferred inflows of resources	<u>(5,845,792)</u>	<u>(1,775,766)</u>

Net position of governmental activities		<u>\$97,351,659</u>
--	--	----------------------------

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 8,585,252	\$ -
TIF revenues	-	-
Other taxes	3,088,175	-
Licenses and permits	580,014	-
Intergovernmental	1,829,773	2,981,754
Charges for service	726,727	-
Fines and forfeitures	59,722	-
Use of money and property	311,694	304
Special assessments	-	419
Miscellaneous	529,294	1,038
Refunds	4,380	6,697
Total revenues	<u>\$15,715,031</u>	<u>\$2,990,212</u>
EXPENDITURES:		
Current:		
Public safety	\$ 8,440,552	\$ -
Public works	985,119	2,455,406
Health & social services	428,878	-
Culture & recreation	2,939,349	-
Community & economic development	1,078,177	-
General government	1,821,826	-
Capital projects	1,620,930	1,213,152
Debt Service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$17,314,831</u>	<u>\$3,668,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,599,800)</u>	<u>\$ (678,346)</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 2,271,450	\$ 815,000
Premium/discount on bonds	-	-
Transfers in	737,933	645,000
Transfers out	(144,250)	(21,592)
Total other financing sources (uses)	<u>\$ 2,865,133</u>	<u>\$1,438,408</u>
Net change in fund balance	\$ 1,265,333	\$ 760,062
Fund balance beginning of year	<u>5,701,480</u>	<u>1,835,879</u>
Fund balance end of year	<u>\$ 6,966,813</u>	<u>\$2,595,941</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 3,200,048	\$ 1,348,975	\$13,134,275
-	1,573,744	1,573,744
-	2,590,491	5,678,666
-	-	580,014
-	395,660	5,207,187
-	27,871	754,598
-	-	59,722
2,590	346,248	660,836
-	22,569	22,988
-	113,404	643,736
-	-	11,077
<u>\$ 3,202,638</u>	<u>\$ 6,418,962</u>	<u>\$28,326,843</u>
\$ -	\$ 1,628,283	\$10,068,835
-	48,167	3,488,692
-	10,393	439,271
-	245,072	3,184,421
-	1,149,940	2,228,117
-	632,442	2,454,268
-	1,269,751	4,103,833
3,446,922	-	3,446,922
693,901	-	693,901
62,138	-	62,138
<u>\$ 4,202,961</u>	<u>\$ 4,984,048</u>	<u>\$30,170,398</u>
<u>\$ (1,000,323)</u>	<u>\$ 1,434,914</u>	<u>\$ (1,843,555)</u>
\$ 98,550	\$ -	\$ 3,185,000
128,026	-	128,026
999,443	105,692	2,488,068
(52,000)	(2,091,441)	(2,309,283)
<u>\$ 1,174,019</u>	<u>\$ (1,985,749)</u>	<u>\$ 3,491,811</u>
\$ 173,696	\$ (550,835)	\$ 1,648,256
28,884	12,121,047	19,687,290
<u><u>\$ 202,580</u></u>	<u><u>\$11,570,212</u></u>	<u><u>\$21,335,546</u></u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances—total governmental funds	\$1,648,256
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold. (1,501,780)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$4,032,795	
Depreciation expense	<u>(6,181,229)</u>	(2,148,434)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$3,446,922	
Issuance of debt	(3,185,000)	
Accrued interest	758	
Amortization of bond discount	192	
Pension expense	(940,620)	
Other post-employment benefits	<u>(50,106)</u>	(727,854)

The current year City employer share of IPERS and MFPSI contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 2,170,993

Internal service funds net change	<u>(568,093)</u>
-----------------------------------	------------------

Change in net position—governmental activities	<u><u>\$ (1,126,912)</u></u>
--	------------------------------

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Amended Budget	Actual
REVENUES:			
Property tax	\$ 8,328,714	\$ 8,328,714	\$ 8,585,252
Other tax	2,893,282	2,893,282	3,088,175
Licenses and permits	576,595	576,595	580,014
Intergovernmental	3,063,277	3,063,277	1,829,773
Charges for service	949,824	949,824	726,727
Fines and forfeitures	-	-	59,722
Use of money and property	350,495	350,495	311,694
Miscellaneous	310,083	505,575	529,294
Refunds	-	-	4,380
Total revenues	<u>\$16,472,270</u>	<u>\$16,667,762</u>	<u>\$15,715,031</u>
EXPENDITURES:			
Current:			
Public safety	\$ 8,346,298	\$ 8,488,523	\$ 8,440,552
Public works	1,041,280	1,076,280	985,119
Health & social services	432,670	523,962	428,878
Culture & recreation	2,893,255	2,978,377	2,939,349
Community & economic development	919,272	1,130,297	1,078,177
General government	2,002,648	2,047,648	1,821,826
Capital projects	4,603,272	4,653,047	1,620,930
Total expenditures	<u>\$20,238,695</u>	<u>\$20,898,134</u>	<u>\$17,314,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,766,425)</u>	<u>\$ (4,230,372)</u>	<u>\$ (1,599,800)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 2,626,450	\$ 2,626,450	\$ 2,271,450
Transfers in	1,069,264	1,089,264	737,933
Transfers out	<u>(133,500)</u>	<u>(133,500)</u>	<u>(144,250)</u>
Total other financing sources (uses)	<u>\$ 3,562,214</u>	<u>\$ 3,582,214</u>	<u>\$ 2,865,133</u>
Net change in fund balance	\$ (204,211)	\$ (648,158)	\$ 1,263,333
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>5,701,480</u>
Fund balance end of year	<u>\$ (204,211)</u>	<u>\$ (648,158)</u>	<u>\$ 6,966,813</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 256,538
194,893
3,419
(1,233,504)
(223,097)
59,722
(38,801)
23,719
4,380
\$ (952,731)

\$ 47,971
91,161
95,084
39,028
52,120
225,822
3,032,117
\$3,583,303

\$2,630,572

\$ (355,000)
(351,331)
(10,750)

\$ (717,081)

\$1,913,491

5,701,480

\$7,614,971

CITY OF MASON CITY, IOWA
ROAD USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 2,700,000	\$ 2,700,000	\$ 2,981,754
Charges for service	-	-	-
Use of money and property	-	-	304
Special assessments	-	-	419
Miscellaneous	50,000	50,000	1,038
Refund	-	-	6,697
Total revenues	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 2,990,212</u>
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,337,660	\$ 1,337,660	\$ 1,376,363
Contractual	582,972	582,972	679,021
Commodities	469,462	469,462	400,022
Other	3,799	3,799	-
Total public works	<u>\$ 2,393,893</u>	<u>\$ 2,393,893</u>	<u>\$ 2,455,406</u>
Capital projects	2,514,269	2,540,869	1,213,152
Total expenditures	<u>\$ 4,908,162</u>	<u>\$ 4,934,762</u>	<u>\$ 3,668,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,158,162)</u>	<u>\$ (2,184,762)</u>	<u>\$ (678,346)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 815,000	\$ 815,000	\$ 815,000
Transfers in	645,000	645,000	645,000
Transfers out	(20,000)	(20,000)	(21,592)
Total other financing sources (uses)	<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>	<u>\$ 1,438,408</u>
Net change in fund balance	\$ (718,162)	\$ (744,762)	\$ 760,062
Fund balance beginning of year	-	-	1,835,879
Fund balance end of year	<u>\$ (718,162)</u>	<u>\$ (744,762)</u>	<u>\$ 2,595,941</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 281,754
-
304
419
(48,962)
6,697
\$ 240,212

\$ (38,703)
(96,049)
69,440
3,799
\$ (61,513)
1,327,717
\$1,266,204

\$1,506,416

\$ -
-
(1,592)

\$ (1,592)

\$1,504,824

1,835,879

\$3,340,703

**CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 2,414,299	\$ -
Investments (at cost)	1,825,000	575,000
Receivables:		
Property taxes	-	-
Succeeding year property taxes	-	-
Special assessments - current	-	21,376
Accounts (net)	662,570	494,690
Accrued interest	1,981	723
Inventory	224,558	56,116
Due from other funds	93,732	-
Prepaid insurance	21,222	25,942
Total current assets	<u>\$ 5,243,362</u>	<u>\$ 1,173,847</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 804,495	\$ 305,749
Investments	1,000,000	750,000
Accrued interest	1,363	753
Total restricted assets	<u>\$ 1,805,858</u>	<u>\$ 1,056,502</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	15,537,504	-
Equipment	1,463,567	1,042,592
Distribution system	33,039,927	-
Meters	1,090,793	-
Plant and improvements	-	34,724,867
Sewer lines and lifts	-	18,686,902
Improvements	-	-
Vehicles	417,658	924,639
Construction in progress	347,124	-
Total property, plant and equipment	<u>\$52,063,793</u>	<u>\$55,695,209</u>
Less accumulated depreciation	<u>(19,113,693)</u>	<u>(23,700,660)</u>
Net property, plant and equipment	<u>\$32,950,100</u>	<u>\$31,994,549</u>
Total noncurrent assets	<u>\$34,755,958</u>	<u>\$33,051,051</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related deferred outflows	<u>\$ 210,702</u>	<u>\$ 144,094</u>
Total assets and deferred outflows of resources	<u>\$40,210,022</u>	<u>\$34,368,992</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 506,153	\$ 2,920,452	\$ 217,250
750,050	3,150,050	940,614
1,629	1,629	12,089
148,623	148,623	1,243,727
-	21,376	-
1,142,597	2,299,857	-
792	3,496	653
73,702	354,376	-
109,362	203,094	20,357
4,938	52,102	89
<u>\$ 2,737,846</u>	<u>\$ 9,155,055</u>	<u>\$2,434,779</u>
\$ -	\$ 1,110,244	\$ -
-	1,750,000	-
-	2,116	-
<u>\$ -</u>	<u>\$ 2,862,360</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,568,237	17,105,741	-
1,238,798	3,744,957	107,184
-	33,039,927	-
-	1,090,793	-
-	34,724,867	-
4,355,922	23,042,824	-
3,192,187	3,192,187	-
1,936,068	3,278,365	85,174
792,872	1,139,996	-
<u>\$17,424,017</u>	<u>\$125,183,019</u>	<u>\$ 192,358</u>
<u>(8,029,986)</u>	<u>(50,844,339)</u>	<u>(170,956)</u>
<u>\$ 9,394,031</u>	<u>\$ 74,338,680</u>	<u>\$ 21,402</u>
<u>\$ 9,394,031</u>	<u>\$ 77,201,040</u>	<u>\$ 21,402</u>
\$ 719,581	\$ 1,074,377	\$ -
<u>\$12,851,458</u>	<u>\$ 87,430,472</u>	<u>\$2,456,181</u>

**CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 193,616	\$ 79,260
Salaries payable	39,473	27,493
Contracts payable	153,280	-
Accrued vacation payable	81,793	84,333
Accrued interest payable	22,303	30,496
Due to other funds	8,695	44,187
Due to state government	31,392	-
Due to customers	89,515	-
General obligation bonds	670,000	300,000
Revenue bonds	1,148,000	571,000
Prepaid interments	-	-
Unearned revenue	-	-
Total current liabilities	<u>\$ 2,438,067</u>	<u>\$ 1,136,769</u>
Long-term debt:		
General obligation bonds	\$ 4,385,000	\$ 1,430,000
Revenue bonds	7,153,000	9,359,000
Unamortized bond discount	(33,613)	(115,731)
Net OPEB obligation	86,893	52,044
Net pension liability	<u>656,302</u>	<u>448,826</u>
Total long-term debt	<u>\$12,247,582</u>	<u>\$11,174,139</u>
DEFERRED INFLOWS OF RESOURCES:		
Succeeding year property taxes	\$ -	\$ -
Pension related deferred inflows	346,995	237,300
Total deferred inflows of resources	<u>\$ 346,995</u>	<u>\$ 237,300</u>
Total liabilities and deferred inflows of resources	<u>\$15,032,644</u>	<u>\$12,548,208</u>
NET POSITION:		
Net investment in capital assets	\$19,627,713	\$20,450,280
Restricted for:		
Bond retirement	1,805,858	1,055,376
Unrestricted	<u>3,743,807</u>	<u>315,128</u>
Total net position	<u>\$25,177,378</u>	<u>\$21,820,784</u>

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds

Net position of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 183,696	\$ 456,572	\$ 878,123
66,719	133,685	4,636
35,907	189,187	-
156,249	322,375	10,852
-	52,799	-
114,945	167,827	-
2,454	33,846	-
-	89,515	-
-	970,000	-
-	1,719,000	-
33,281	33,281	-
600	600	9,752
<u>\$ 593,851</u>	<u>\$ 4,168,687</u>	<u>\$ 903,363</u>
\$ -	\$ 5,815,000	\$ -
-	16,512,000	-
-	(149,344)	-
121,877	260,814	-
<u>1,647,729</u>	<u>2,752,857</u>	<u>-</u>
<u>\$1,769,606</u>	<u>\$25,191,327</u>	<u>\$ -</u>
\$ 148,623	\$ 148,623	\$1,243,727
1,037,835	1,622,130	-
<u>\$1,186,458</u>	<u>\$ 1,770,753</u>	<u>\$1,243,727</u>
<u>\$3,549,915</u>	<u>\$31,130,767</u>	<u>\$2,147,090</u>
\$9,394,031	\$49,472,024	\$ 21,402
-	2,861,234	-
(92,488)	3,966,447	287,689
<u>\$9,301,543</u>	<u>\$56,299,705</u>	<u>\$ 309,091</u>
	<u>(2,641,782)</u>	
	<u>\$53,657,923</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 5,672,300	\$ 4,261,982
Health insurance contributions	-	-
Total operating revenues	<u>\$ 5,672,300</u>	<u>\$ 4,261,982</u>
Operating expenses:		
Business-type activities:		
Personal service	\$ 1,560,670	\$ 1,143,375
Contractual	911,559	564,865
Commodities	640,392	235,958
Other	1,991	34,181
Depreciation	1,441,247	1,305,198
Amortization	8,009	4,166
Total operating expenses	<u>\$ 4,563,868</u>	<u>\$ 3,287,743</u>
Operating income (loss)	<u>\$ 1,108,432</u>	<u>\$ 974,239</u>
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Fines and forfeitures	-	-
Use of money and property	30,160	3,261
Special assessments	-	-
Miscellaneous	4,269	69,849
Interest	(312,459)	(406,394)
Gain/(Loss) on disposal of assets	(4,806)	-
Total nonoperating revenue (expense)	<u>\$ (282,836)</u>	<u>\$ (333,284)</u>
Income (loss) before contributions and transfers	<u>\$ 825,596</u>	<u>\$ 640,955</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(20,000)	(20,000)
Total contributions and transfers	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Change in net position	\$ 805,596	\$ 620,955
Net position beginning of year, as restated	<u>24,371,782</u>	<u>21,199,829</u>
Net position end of year	<u>\$25,177,378</u>	<u>\$21,820,784</u>

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Change in net position of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$4,139,189	\$14,073,471	\$ 241,200
-	-	3,225,729
<u>\$4,139,189</u>	<u>\$14,073,471</u>	<u>\$3,466,929</u>
\$2,070,565	\$ 4,774,610	\$4,249,933
1,169,171	2,645,595	11,008
378,871	1,255,221	26,401
716	36,888	-
492,977	3,239,422	6,835
-	12,175	-
<u>\$4,112,300</u>	<u>\$11,963,911</u>	<u>\$4,294,177</u>
<u>\$ 26,889</u>	<u>\$ 2,109,560</u>	<u>\$ (827,248)</u>
\$ 137,372	\$ 137,372	\$1,346,340
34,356	34,356	-
52,657	86,078	21,390
-	-	-
89,925	164,043	-
(414)	(719,267)	-
(1,833)	(6,639)	-
<u>\$ 312,063</u>	<u>\$ (304,057)</u>	<u>\$1,367,730</u>
<u>\$ 338,952</u>	<u>\$ 1,805,503</u>	<u>\$ 540,482</u>
\$ 161,215	\$ 161,215	\$ -
-	(40,000)	(300,000)
<u>\$ 161,215</u>	<u>\$ 121,215</u>	<u>\$ (300,000)</u>
\$ 500,167	\$ 1,926,718	\$ 240,482
<u>8,801,376</u>		<u>68,609</u>
<u>\$9,301,543</u>		<u>\$ 309,091</u>
	<u>(259,155)</u>	
	<u>\$ 1,667,563</u>	

CITY OF MASON CITY, IOWA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	6,038,048	4,254,987
Cash paid to employees for services	(1,624,865)	(1,154,400)
Cash paid to other suppliers of goods or services	(2,016,860)	(995,969)
Cash paid for health and life insurance	-	-
Rent received from operating assets	21,595	-
Proceeds from miscellaneous items	4,269	69,849
Net cash provided (used) by operating activities	<u>\$ 2,422,187</u>	<u>\$ 2,174,467</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	(20,000)	(20,000)
Net cash provided (used) by non-capital financing activities	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (809,210)	\$ (1,048,037)
Principal payments	(1,944,779)	(1,295,299)
Interest payments	(311,671)	(408,769)
Proceeds from issuance of bonds	3,150,000	-
Net cash provided (used) for capital and related financing activities	<u>\$ 84,340</u>	<u>\$ (2,752,105)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 2,725,000	\$ 250,000
Purchase of investments	(5,550,000)	(1,575,000)
Interest received	6,086	2,388
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ (2,818,947)</u>	<u>\$ (1,322,612)</u>
Net increase (decrease) in cash	\$ (332,387)	\$ (1,920,250)
Cash beginning of year	<u>3,551,181</u>	<u>2,225,999</u>
Cash end of year	<u>\$ 3,218,794</u>	<u>\$ 305,749</u>
Noncash capital, investing and financing activities:		
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 2,916,482
-	-	547,363
3,999,432	14,292,467	-
(2,008,156)	(4,787,421)	(202,469)
(1,811,465)	(4,824,294)	(45,544)
-	-	(3,997,502)
-	21,595	-
<u>124,281</u>	<u>198,399</u>	<u>-</u>
<u>\$ 304,092</u>	<u>\$ 4,900,746</u>	<u>\$ (781,670)</u>
\$ 140,793	\$ 140,793	\$ 1,339,588
161,215	161,215	-
<u>-</u>	<u>(40,000)</u>	<u>(300,000)</u>
<u>\$ 302,008</u>	<u>\$ 262,008</u>	<u>\$ 1,039,588</u>
\$ (1,120,251)	\$ (2,977,498)	\$ -
(36,000)	(3,276,078)	-
(494)	(720,934)	-
<u>-</u>	<u>3,150,000</u>	<u>-</u>
<u>\$ (1,156,745)</u>	<u>\$ (3,824,510)</u>	<u>\$ -</u>
\$ 525,000	\$ 3,500,000	\$ 400,000
(1,275,000)	(8,400,000)	(950,000)
22,775	31,249	16,794
<u>31,561</u>	<u>31,561</u>	<u>-</u>
<u>\$ (695,664)</u>	<u>\$ (4,837,190)</u>	<u>\$ (533,206)</u>
\$ (1,246,309)	\$ (3,498,946)	\$ (275,288)
<u>1,752,462</u>	<u>7,529,642</u>	<u>492,538</u>
<u>\$ 506,153</u>	<u>\$ 4,030,696</u>	<u>\$ 217,250</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,904</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2015

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$1,108,432	\$ 974,239
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,449,256	1,309,364
Rental income	21,595	-
Miscellaneous income	4,269	69,849
Change in assets and liabilities:		
(Increase) decrease in receivables	(25,403)	(7,476)
(Increase) decrease in inventory	64,652	7,886
(Increase) decrease in due from other funds	2,274	-
(Increase) decrease in prepaid insurance	1,525	1,821
(Increase) decrease in deferred outflows	(114,002)	(77,963)
Increase (decrease) in accounts and contracts payable	(58,864)	(207,288)
Increase (decrease) in salaries payable	8,250	4,298
Increase (decrease) in accrued compensated absences	(27,323)	12,396
Increase (decrease) in due to other funds	144	37,096
Increase (decrease) in due to state government	9,652	-
Increase (decrease) in due to customers	4,442	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	10,680	9,686
Increase (decrease) in net pension liability	(287,687)	(196,741)
Increase (decrease) in deferred inflows	250,295	237,300
Net cash provided (used) by operating activities	<u>\$2,422,187</u>	<u>\$2,174,467</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 26,889	\$2,109,560	\$ (827,248)
492,977	3,251,597	6,835
-	21,595	-
124,281	198,399	-
(164,071)	(196,950)	-
4,949	77,487	-
(41,615)	(39,341)	(1,263)
434	3,780	51
(407,693)	(599,658)	-
5,285	(260,867)	41,381
9,388	21,936	821
1,275	(13,652)	532
3,772	41,012	(18)
1,852	11,504	-
-	4,442	-
(119)	(119)	-
-	-	(2,761)
10,190	30,556	-
(801,537)	(1,285,965)	-
<u>1,037,835</u>	<u>1,525,430</u>	<u>-</u>
<u>\$ 304,092</u>	<u>\$4,900,746</u>	<u>\$ 781,670</u>

CITY OF MASON CITY, IOWA
FIDUCIARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Firemen's Pension</u>
ASSETS:	
Cash	\$ 6,122
Receivables:	
Property taxes	67
Succeeding year property taxes	<u>7,367</u>
Total assets	<u>\$13,556</u>
 DEFERRED INFLOWS OF RESOURCES:	
Succeeding year property taxes	<u>\$ 7,367</u>
 NET POSITION:	
Held in trust for pension benefits	<u><u>\$ 6,189</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Firemen's Pension</u>
ADDITIONS:	
Property taxes	\$7,486
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>7,126</u>
Change in net position	\$ 360
Net position beginning of year	<u>5,829</u>
Net position end of year	<u>\$6,189</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Financial Reporting Entity

The City of Mason City is a political subdivision of the State of Iowa. It was first incorporated on December 21, 1869 and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services.

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council. The Foundation exists to support the City-owned MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit due to the nature and significance of its relationship with the City. The Authority's commissioners are appointed by the Mayor and approved by the Council, and the Authority provides low-income housing to the citizens of Mason City. Almost all of the component unit's resources are ultimately used for the City and its constituents. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

(2) Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

(A) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

(B) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds, revenue from grant revenues is recorded as unearned revenue until they become available.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

The City of Mason City reports the following major governmental funds:

General Fund

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities.

Road Use Tax Fund

The Road Use Tax Fund accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these taxes to be used to maintain streets.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term and special debt principal, interest and related costs. Financing is through annual property tax levies. Tax levies in excess of actual requirements are legally restricted to service this debt.

The City reports the following major proprietary funds:

Water Fund

The Water Fund accounts for the operation and maintenance of the City's water system.

Sanitary Sewer Fund

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

Additionally, the City reports the following fund types:

The City's Internal Service Funds account for costs in vehicle maintenance, electrical repairs and health insurance. The central services fund is used to account for (1) maintenance and repair costs related to City vehicles and equipment and (2) costs for electrical maintenance repair for all City facilities and traffic maintenance. The health insurance fund is used to account for health insurance premiums and claims for all City employees.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed for a specified purpose other than debt service.

The Capital Projects Funds account for financial resources to be used for the construction and acquisition of other general capital improvements. These projects are financed mainly through bond proceeds and Local Option Sales Tax.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

The Pension Trust Fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, storm sewer, solid waste disposal, golf course, parking lots and ambulance.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then to less restrictive classifications—committed, assigned and then unassigned.

(C) Assets, liabilities and net position or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust (IPAIT) which is a 2a-7 - like pool. IPAIT is a common law trust established under Iowa law and is administered by an appointed investment management company and operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$4,308 and \$3,343 of investment income for the years ended June 30, 2015 and 2014, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2015, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$1,140,675 and \$34,316, respectively.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2015, were due by July 1, 2014, with the first half installment being delinquent after September 30, 2014, and the second half installment being delinquent after March 31, 2015. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The succeeding year property tax receivable represents the 2015 levy certified on March 15, 2015, based on 2014 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2016, the revenue has been recorded as a deferred inflow of resources.

Inventories and Prepaid Items

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. All inventories are carried at lower of cost or market (first-in, first-out). The consumption method of accounting is applied to the business-type inventories.

Restricted Assets

Assets within the enterprise funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50 years
Improvements other than buildings	5 to 100 years
Machinery and equipment	3 to 20 years
Infrastructure	10 to 45 years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences

City employees earn vacation and sick leave at rates dependent on years of service. Sick leave may be accumulated up to 960 hours but is forfeited if not used. Therefore, no accrual is recorded for accrued sick leave. Vacation leave is vested as earned, but must be used within one year or is forfeited. The City records these accumulations in the fund in which they are earned for governmental type funds as the City anticipates paying these accruals from expendable available financial resources. For proprietary type funds, these accumulations are recorded as liabilities.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems') and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue had not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

Assigned - Amounts the City Council intends to use for specific purposes. Intent can be expressed by the City Council or by an official or body to which the City Council delegates its authority. The City Council has authorized the Finance Director to assign fund balance through the approval of the annual budget.

Unassigned - All amounts not included in other spendable classifications. The general fund is the only fund that reports a positive unassigned fund balance.

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Community Growth TIF, Westside TIF, South Eisenhower TIF, Gateway TIF, Forest Park TIF, ESGP Grant, ADDI, PDM-FEMA, MacNider Museum Foundation special revenue funds; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

- a. Expenditures for each program:
 - Public Safety
 - Public Works
 - Health and Social Services
 - Culture and Recreation
 - Community and Economic Development
 - General Government
 - Debt Service
 - Capital Projects
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation

City Council action to legally enact the budget goes beyond the State requirement and includes budgets for individual funds except fiduciary funds. The City budget is prepared and reported on a modified accrual basis of accounting.

A City budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore, it is the City Council's policy that only state required budget amendments will be adopted. The City's budget was amended as prescribed and the effect of that amendment is shown in the following table.

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2015 budget:

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 9,931,455	\$ 152,800	\$ 10,084,255	\$10,068,835
Public Works	3,507,860	61,600	3,569,460	3,488,692
Health and Social Services	444,848	90,492	535,340	439,271
Culture and Recreation	3,568,537	424,922	3,993,459	3,184,421
Community and Economic Development	6,282,378	211,025	6,493,403	2,228,117
General Government	5,957,372	230,000	6,187,372	2,454,268
Debt Service	5,176,405	455,000	5,631,405	4,202,961
Capital Projects	8,987,624	-	8,987,624	4,103,833
Business-Type	17,235,591	1,018,750	18,254,341	12,683,982
Total	<u>\$61,092,070</u>	<u>\$2,644,589</u>	<u>\$63,736,659</u>	<u>\$42,854,380</u>

The fiscal year 2015 budget amendment resulted in an overall increase in the appropriation.

(E) Unbilled Revenues

The Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2015 unbilled utility receivables for the Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds were included in accounts receivable and totaled approximately \$427,379, \$338,996, \$97,991 and \$22,836, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2015 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$219,822 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) Cash and Investments - continued

The carrying amount and fair value of the City's investments at June 30, 2015 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 6,044,282
Equity securities	<u>1,247,738</u>
	\$ 7,292,020
Deposits classified as investments:	
Iowa Public Agency Investment Trust	219,822
Nonnegotiable certificates of deposit	<u>8,911,573</u>
Total	\$16,423,415
Less: Restricted investments	<u>2,257,950</u>
 Total unrestricted investments per balance sheet	 <u>\$14,165,465</u>

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments, further limited to no more than five percent from a single issuer. The City held no such investments during the year.

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2015 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 480,840	\$ 485,315
Road use tax	6,727	20,077
Debt service	14,114	247,496
Nonmajor funds	356,297	160,714
Internal Service funds	<u>20,357</u>	-
Total governmental	<u>\$ 878,335</u>	<u>\$ 913,602</u>
Business-Type:		
Waterworks	\$ 93,732	\$ 8,695
Sewer rental	-	44,187
Nonmajor funds	109,362	114,945
Total business-type	<u>\$ 203,094</u>	<u>\$ 167,827</u>
 Total due to/from other funds	 <u>\$1,081,429</u>	 <u>\$1,081,429</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Interfund Receivable and Payable Balances - Continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$754,914. The remainder of these balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, these balances will be repaid within one year from year end.

(5) Interfund Transfers

Transfers in and out for the year ended June 30, 2015 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 737,933	\$ 144,250
Road use tax	645,000	21,592
Debt service	999,443	52,000
Nonmajor funds	105,692	2,091,441
Internal Service funds	-	300,000
Total governmental	<u>\$2,488,068</u>	<u>\$2,609,283</u>
Business-Type:		
Waterworks	\$ -	\$ 20,000
Sewer rental	-	20,000
Nonmajor funds	161,215	-
Total business-type	<u>\$ 161,215</u>	<u>\$ 40,000</u>
Total transfers	<u>\$2,649,283</u>	<u>\$2,649,283</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(6) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>19,321,816</u>	<u>1,216,099</u>	<u>1,768,577</u>	<u>18,769,338</u>
Total capital assets, not being depreciated	<u>\$ 21,956,172</u>	<u>\$ 1,216,099</u>	<u>\$1,768,577</u>	<u>\$ 21,403,694</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 23,769,581	\$ 35,710	\$ 15,760	\$ 23,789,531
Improvements other than buildings	28,731,846	1,173,905	910,847	28,994,904
Machinery and equipment	6,227,551	246,312	178,325	6,295,538
Vehicles	9,147,431	477,439	397,157	9,227,713
Infrastructure	<u>85,620,688</u>	<u>521,729</u>	<u>-</u>	<u>86,142,417</u>
Total capital assets, being depreciated	<u>\$153,497,097</u>	<u>\$ 2,455,095</u>	<u>\$1,502,089</u>	<u>\$154,450,103</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 8,181,030	\$ 829,759	\$ 15,761	\$ 8,995,028
Improvements other than buildings	11,122,669	1,171,234	910,847	11,383,056
Machinery and equipment	4,652,873	409,941	171,587	4,891,227
Vehicles	5,890,516	624,077	362,508	6,152,085
Infrastructure	<u>35,742,434</u>	<u>3,153,053</u>	<u>-</u>	<u>38,895,487</u>
Total accumulated Depreciation	<u>\$ 65,589,522</u>	<u>\$ 6,188,064</u>	<u>\$1,460,703</u>	<u>\$ 70,316,883</u>
Total capital assets, being depreciated, net	<u>\$ 87,907,575</u>	<u>\$ (3,732,969)</u>	<u>\$ 41,386</u>	<u>\$ 84,133,220</u>
Governmental activities capital assets, net	<u>\$109,863,747</u>	<u>\$ (2,516,870)</u>	<u>\$1,809,963</u>	<u>\$105,536,914</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 530,054
Public works	4,522,279
Health and social services	519
Culture and recreation	989,969
Community and economic development	69,997
General government	68,411
Internal service funds depreciation is charged to various functions based on their usage of assets	<u>6,835</u>
Total depreciation expense—governmental activities	<u>\$6,188,064</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(6) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	<u>1,134,888</u>	<u>2,084,727</u>	<u>2,079,619</u>	<u>1,139,996</u>
Total capital assets, not being depreciated	<u>\$ 5,958,250</u>	<u>\$2,084,727</u>	<u>\$2,079,619</u>	<u>\$ 5,963,358</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 17,001,219	\$ 104,522	\$ -	\$ 17,105,741
Improvements other than buildings	3,170,100	22,087	-	3,192,187
Machinery and equipment	3,578,348	166,609	-	3,744,957
Vehicles	3,224,074	231,380	177,089	3,278,365
Collection and distribution systems	<u>89,657,846</u>	<u>2,373,269</u>	<u>132,704</u>	<u>91,898,411</u>
Total capital assets, being depreciated	<u>\$116,631,587</u>	<u>\$2,897,867</u>	<u>\$ 309,793</u>	<u>\$119,219,661</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 4,814,437	\$ 407,176	\$ -	\$ 5,221,613
Improvements other than buildings	2,954,557	20,281	-	2,974,838
Machinery and equipment	2,383,783	261,682	28,950	2,616,515
Vehicles	1,933,003	244,312	111,474	2,065,841
Collection and distribution systems	<u>35,787,458</u>	<u>2,305,971</u>	<u>127,897</u>	<u>37,965,532</u>
Total accumulated depreciation	<u>\$ 47,873,238</u>	<u>\$3,239,422</u>	<u>\$ 268,321</u>	<u>\$ 50,844,339</u>
Total capital assets, being depreciated, net	<u>\$ 68,758,349</u>	<u>\$ (341,555)</u>	<u>\$ 41,472</u>	<u>\$ 68,375,322</u>
Business-type activities capital assets, net	<u>\$ 74,716,599</u>	<u>\$1,743,172</u>	<u>\$2,121,091</u>	<u>\$ 74,338,680</u>

Depreciation expense was charged to the following business-type activities:

Business-type activities:	
Water works	\$1,441,247
Sewer rental	1,305,198
Other business-type funds	<u>492,977</u>
Total depreciation expense-business-type activities	<u>\$3,239,422</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems

The City maintains three pension plans for employees in various departments.

Iowa Public Employees Retirement System

Plan Description. IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.80%.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$709,212.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$4,704,677 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was 0.1186280% which was a decrease of 0.0007714% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$317,141. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,131	\$ -
Changes in assumptions	207,628	-
Net difference between projected and actual earnings on pension plan investments	-	2,487,421
Changes in proportion and differences between City contributions and proportionate share of contributions	542,442	-
City contributions subsequent to the measurement date	<u>709,212</u>	<u>-</u>
Total	<u>\$1,510,413</u>	<u>\$2,487,421</u>

\$709,212 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (423,321)
2017	(423,321)
2018	(423,321)
2019	(423,321)
2020	7,065
	<u>\$ (1,686,220)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.5%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	-0.69
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share Of net pension liability	\$8,889,356	\$4,704,677	\$1,172,375

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the City reported payables to the defined benefit pension plan of \$16,287 for legally required employer contributions and \$10,852 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Mason City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$1,461,781.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$7,269,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014.

The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 0.02005486% which was a increase of 0.00020289% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$603,407. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,575
Changes in assumptions	537,315	-
Net difference between projected and actual earnings on pension plan investments	-	4,959,926
Changes in proportion and differences between City contributions and proportionate share of contributions	1,634,894	-
City contributions subsequent to the measurement date	<u>1,461,781</u>	<u>-</u>
Total	<u>\$3,633,990</u>	<u>\$4,980,501</u>

\$1,461,781 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (712,034)
2017	(712,034)
2018	(712,034)
2019	(712,035)
2020	39,845
	<u>\$ (2,808,292)</u>

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00% per annum.
Rate of salary increase	4.50 to 1.11%, including inflation.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Long-term Investment rate of return 7.5%, net of pension plan investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	<u>12.5</u>	7.0
Core Investments	40.0%	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	10.0	
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share Of net pension liability	\$13,939,359	\$7,269,852	\$1,728,092

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to the Pension Plan - At June 30, 2015, City of Mason City reported payables to the defined benefit pension plan of \$46,535 for legally required employer contributions and \$14,385 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Firemen Pension Plan

(A) Plan Description

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2015, there is one individual receiving benefits in the fire plan.

A summary of financial information relating to the plan as of June 30, 2015 is as follows:

	<u>Fire</u>
Cash and investments	\$6,122
Fund equity	6,189
Pensions paid	7,126

(B) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues for the period.

Method Used to Value Investments

Investments, if any, are non-participating certificates of deposit and are valued at historical cost.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Pension and Retirement Systems - continued

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
2015	\$ -	\$ 7,486	\$ 7,486	\$ 7,126
2014	-	7,214	7,214	6,917
2013	-	7,201	7,201	6,790
2012	-	6,897	6,879	6,697
2011	7	-	7	6,576
2010	76	-	76	6,457
2009	26	25,170	25,196	9,424
2008	-	15,370	15,370	12,147
2007	210	-	210	11,745
2006	391	-	391	11,432

(8) Deferred Compensation Plan

The City offers its employees several deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation in the plan is optional.

The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the basic financial statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.60% Essential Corporate Purpose bond payable, issued 11/1/05	\$ 95,000	\$ 260,000
3.80% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	675,000	-
3.875% to 4.15% Taxable General Obligation bond payable, issued 9/4/07	365,000	1,605,000
4.00% to 4.10% General Obligation bond payable, issued 7/1/08	1,025,000	115,000
4.00% to 4.35% General Obligation bond payable, issued 7/1/08	1,380,000	-
3.125% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	7,000,000	490,000
1.50% to 2.90% General Obligation bond payable, issued 8/1/10	1,135,000	655,000
1.30% to 2.80% General Obligation bond payable issued 10/1/10	2,730,000	-
0.95% to 1.85% General Obligation bond payable, issued 8/31/11	540,000	-
1.10% to 2.80% General Obligation bond payable, issued 8/31/11	440,000	-
0.50% to 1.70% General Obligation bond payable, issued 8/7/12	1,045,000	670,000
0.75% to 1.40% General Obligation bond payable, issued 8/7/12	545,000	-
2.00% General Obligation bond payable, issued 8/20/13	720,000	-
2.00% to 2.25% Taxable General Obligation bond payable, issued 9/17/14	2,980,000	2,990,000
1.75% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	7,271,000
4.00% Water Revenue bond payable, issued 9/1/06	-	565,000
4.23% to 4.35% Water Revenue bond payable, issued 9/1/07	-	465,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	9,930,000
Totals	<u>\$20,675,000</u>	<u>\$25,016,000</u>

Bonded Debt:

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$27,460,000 of general obligation bonds outstanding as of June 30, 2015. Unmatured general obligation bonds to be paid by governmental funds totaled \$20,675,000. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$6,785,000.

During the year ended June 30, 2015, the City issued \$6,335,000 of general obligation bonds. These bonds were used for construction, reconstruction and repair of various public works, parks and utility-related improvements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) Long-Term Debt - continued

Water and Sewer Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$18,231,000 of revenue bonds outstanding as of June 30, 2015, payable through 2030. The City, as a requirement of the bonds, maintains certain reserve requirements while these bonds are outstanding. These reserves include a) one-twelfth of the annual interest and principal due in the succeeding year plus b) the lesser of 10% of the original note proceeds or the maximum amount of principal and interest due in any remaining year of the individual issue or 25% of the amount required to be deposited to a) since issue of the bond. One bond also requires the reservation of an improvement amount equal to the lesser of \$5,000 times the number of months since issuance or \$250,000. The combined total required to be reserved is \$2,418,774. The City has reserved \$2,862,360 as of June 30, 2015. The combined principal and interest paid for the current year and total customer net revenues were \$2,515,408 and \$4,950,396, respectively, amounting to approximately 51% of net revenues.

Tax Increment Financing Revenue Debt

The City issues bonds to finance its contribution to various development projects in the tax increment districts. The principal and interest on the bonds are paid with the additional taxes generated by the various development projects. As of June 30, 2015, there were no tax increment financing bonds outstanding.

Long-term liability activity for the year ended June 30, 2015, was as follows:

	July 1, 2014	New Issues	Payments	June 30, 2015	Due Within One Year
General obligation:					
Governmental	\$20,936,911	\$3,185,000	\$3,446,911	\$20,675,000	\$3,330,000
Business-type activities:					
Water	\$ 2,740,790	\$3,150,000	\$ 835,790	\$ 5,055,000	\$ 670,000
Sewer	2,142,300	-	412,300	1,730,000	300,000
Ambulance	36,000	-	36,000	-	-
Total business-type	<u>\$ 4,919,090</u>	<u>\$3,150,000</u>	<u>\$1,284,090</u>	<u>\$ 6,785,000</u>	<u>\$ 970,000</u>
Revenue:					
Business-type:					
Water	\$ 9,410,000	\$ -	\$1,109,000	\$ 8,301,000	\$1,148,000
Sewer	10,813,000	-	883,000	9,930,00	571,000
Total business-type	<u>\$20,223,000</u>	<u>\$ -</u>	<u>\$1,992,000</u>	<u>\$18,231,000</u>	<u>\$1,719,000</u>
Total	<u>\$46,079,001</u>	<u>\$6,335,000</u>	<u>\$6,723,001</u>	<u>\$45,691,000</u>	<u>\$6,019,000</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(9) Long-Term Debt - continued

At June 30, 2015, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,665,052,148</u>
Debt limit - 5% of total valuation	\$ 83,252,607
Debt applicable to debt limit:	
General obligation bonded debt outstanding	27,460,000
Legal debt margin	<u>\$ 55,792,607</u>

A summary of bond principal and interest maturities by type of bond is as follows:

	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,330,000	\$ 630,401	\$ 970,000	\$ 183,379	\$ 4,300,000	\$ 813,780
2017	3,325,000	545,507	795,000	154,481	4,120,000	699,988
2018	3,030,000	455,636	810,000	134,676	3,840,000	590,312
2019	2,610,000	365,452	825,000	112,534	3,435,000	477,986
2020	1,855,000	282,488	880,000	89,411	2,735,000	371,899
2021-2025	4,370,000	809,799	2,505,000	144,998	6,875,000	954,797
2026-2030	2,155,000	237,497	-	-	2,155,000	237,497
	<u>\$20,675,000</u>	<u>\$3,326,780</u>	<u>\$6,785,000</u>	<u>\$ 819,479</u>	<u>\$27,460,000</u>	<u>\$4,146,259</u>

	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 1,719,000	\$ 558,165	\$ 1,719,000	\$ 558,165
2017	-	-	1,777,000	503,430	1,777,000	503,430
2018	-	-	1,831,000	446,000	1,831,000	446,000
2019	-	-	1,523,000	387,120	1,523,000	387,120
2020	-	-	1,569,000	341,430	1,569,000	341,430
2021-2025	-	-	6,508,000	1,002,000	6,508,000	1,002,000
2026-2030	-	-	3,304,000	251,760	3,304,000	251,760
	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,231,000</u>	<u>\$3,489,905</u>	<u>\$18,231,000</u>	<u>\$3,489,905</u>

Industrial Revenue Bonds

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2015, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$2,970,481.

(10) Contingent Liabilities

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(10) Contingent Liabilities - continued

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

(11) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to First Administration, Inc. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$3,794,888 for the year ended June 30, 2015 are covered by commercial insurance.

All funds of the City participate in the program and make payments to the Employee Health Care Fund (an Internal Service Fund) based on premiums recommended by the program administrator based on historical information. The premiums are based on the amounts needed to pay current year claims and provide a reserve for claims incurred but not reported during the current year.

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2015 is \$793,500 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2015 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$765,100	\$3,974,962	\$3,946,562	\$793,500
Prior year	595,800	3,556,112	3,386,812	765,100

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance are paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years. Settled claims from these risks have exceeded commercial insurance coverage due to the flood of June, 2008. However, substantially all excess costs were reimbursed by disaster grants administered by the State of Iowa and FEMA.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(12) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
FMA Voluntary Acquisition	\$32,253
City Administered Grants	16,115

The deficit balances in the FMA Voluntary Acquisition fund and City Administered Grants Fund will be eliminated by grant proceeds and interfund transfers from the General Fund.

(13) Termination Benefits

As of June 30, 2015, the City had one terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(14) Other Postemployment Benefits

Plan Descriptions and Funding Policy

The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. Employees must be a minimum of 55 years old and currently be enrolled in the sponsored health insurance plan at the time of retirement to participate. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

Funding Policy

The City, with assistance from their third-party administrators, establishes and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on pay-as-you-go financing. For fiscal year 2015, the City contributed \$35,157 and retirees receiving benefits contributed \$223,035 through their required contributions.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(14) Other Postemployment Benefits - continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2009 was the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Annual required contribution	\$175,599
Interest on net OPEB obligation	19,465
Adjustment to annual required contribution	<u>(68,556)</u>
Annual OPEB cost/expense	\$126,508
Contributions and payments made	<u>(35,157)</u>
Increase in net OPEB obligation	\$ 91,351
Net OPEB obligation July 1, 2014	<u>778,583</u>
Net OPEB obligation June 30, 2015	<u><u>\$869,934</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$126,508	27.8%	\$869,934
June 30, 2014	134,239	31.5	778,583
June 30, 2013	180,182	15.4	686,563
June 30, 2012	188,746	19.2	534,129
June 30, 2011	133,033	23.7	383,732

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,131,586. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$12,266,204, and the ratio of the UAAL to the covered payroll was 9.23%.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(14) Other Postemployment Benefits - continued

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be present as supplementary information following the notes to the financial statements.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 25% discount rate assuming funding based on the City's funding policy. The projected annual medical trend rate is six percent. The ultimate medical trend rate is six percent and an inflation rate of zero percent is assumed for this computation.

The amortization method is open period. The amortization of the UAAL is being amortized as a level percentage of projected payrolls over a thirty-year time period.

(15) Commitments

At June 30, 2015, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Storm sewer projects	\$ 6,960,236	\$ 5,087,959
Street projects	2,888,072	2,343,953
Water projects	2,259,824	1,291,331
Sewer projects	1,188,477	1,368,017
Community & economic development projects	548,649	438,913
Park & recreation projects	536,363	339,228
Other	1,568,225	997,049
Total	<u>\$15,949,846</u>	<u>\$11,866,450</u>

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$1,921,197 during the year ended June 30, 2015 of which \$1,285,906 was competitively bid.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(17) Fund Balances

The details for the City's fund balance for the year ended June 30, 2015 are as follows:

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable:					
Endowment principal	\$ -	\$ -	\$ -	\$ 533,638	\$ 533,638
Prepaid expenses	150,431	13,904	-	-	164,335
Total nonspendable	<u>\$ 150,431</u>	<u>\$ 13,904</u>	<u>\$ -</u>	<u>\$ 533,638</u>	<u>\$ 697,973</u>
Restricted for:					
Streets and road construction	\$ -	\$2,582,037	\$ -	\$ -	\$ 2,582,037
Employee benefits	-	-	-	5,044,852	5,044,852
Economic development projects	-	-	-	1,015,922	1,015,922
Grant qualified projects	-	-	-	11,367	11,367
Street and park improvements	-	-	-	2,834,048	2,834,048
Museum funding	-	-	-	456,017	456,017
Cemetery perpetual care	-	-	-	551,897	551,897
Debt Service	-	-	202,580	-	202,580
Tort liability	1,041,256	-	-	-	1,041,256
Total restricted	<u>\$1,041,256</u>	<u>\$2,582,037</u>	<u>\$202,580</u>	<u>\$ 9,914,103</u>	<u>\$13,739,976</u>
Assigned for:					
Airport	\$ 244,094	\$ -	\$ -	\$ -	\$ 244,094
Museum	-	-	-	690,170	690,170
Library	-	-	-	429,124	429,124
Youth softball complex	-	-	-	35,430	35,430
Total assigned	<u>\$ 244,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,724</u>	<u>\$ 1,398,818</u>
Unassigned	<u>\$5,531,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,253)</u>	<u>\$ 5,498,779</u>
Total fund balance	<u>\$6,966,813</u>	<u>\$2,595,941</u>	<u>\$202,580</u>	<u>\$11,570,212</u>	<u>\$21,335,546</u>

(18) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

(19) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 29, 2015, the date the financial statements were issued.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(19) Subsequent Events - continued

The City awarded contracts subsequent to June 30 for the following projects:

Street projects	\$2,205,638
Storm sewer projects	398,934
Police department projects	166,960
Park and Recreation projects	165,293
Sewer projects	157,673
Other projects	256,394
Total	<u>\$3,350,892</u>

The City issued \$1,335,000 of general obligation bonds dated September 1, 2015 payable over an eight-year period at an interest rate of 2.0%.

(20) New Governmental Accounting Standards Board (GASB) Standards

The City has implemented the following GASB standards during the fiscal year ended June 30, 2015:

Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27, issued June 2012. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The required changes have been made to the City's current year financial statements.

Statement No. 69, Government Combinations and Disposals of Government Operations; issued January, 2012. The objective of this Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. Guidance is also provided on how to determine the gain or loss on a disposal of government operations and applies to all state and local government entities. The adoption of this Statement has no effect on the City in the current year.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68; issued November, 2014. The objective of this statement addresses the issue of amounts associated with contributions made by a state or local government to a defined benefit pension plan after the measurement date of their beginning net pension liability. The required changes have been made to the City's current year financial statements.

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City. The statements, which might impact the City are as follows:

Statement 72, Fair Value Measurement and Application; issued February, 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. Guidance is also provided for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68; issued June, 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(20) New Governmental Accounting Standards Board (GASB) Standards - continued

Statement 74, Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans; issued June, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Guidance is provided for OPEB plans that administer benefits on behalf of governments.

Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; issued June, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). Guidance addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments; issued June, 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). Guidance is provided on the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Statement 77, Tax Abatement Disclosures; issued August, 2015, will be effective for fiscal year ending June 30, 2016. The objective of this Statement is to require governments that enter into tax abatements to disclose information about the agreements within the financial statements. Guidance is provided regarding disclosure of tax abatement information about 1)a reporting government's own tax abatement agreement and 2)those that are entered into by other governments and that reduce the reporting government's tax revenues.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(21) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position June 30, 2014 as previously reported	\$110,442,889	\$55,554,463	\$165,997,352
Net pension liability at June 30, 2014	(13,725,360)	(4,038,822)	(17,764,182)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,761,042</u>	<u>474,719</u>	<u>2,235,761</u>
Net position July 1, 2014 (as restated)	<u>\$ 98,478,571</u>	<u>\$51,990,360</u>	<u>\$150,468,931</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MASON CITY, IOWA
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2015	7/1/2013	\$ -	\$1,131,586	\$1,131,586	0.00%	\$12,266,204	9.23%
2014	7/1/2013	-	1,167,355	1,167,355	0.00	13,875,756	8.41
2013	7/1/2011	-	1,445,475	1,445,475	0.00	13,727,810	10.53
2012	7/1/2011	-	1,463,752	1,463,752	0.00	14,275,269	10.25
2011	7/1/2009	-	988,388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	-	973,974	973,974	0.00	13,410,686	7.26

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

CITY OF MASON CITY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 JUNE 30, 2015

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.1162440%
City's proportionate share of the net pension liability	\$4,704
City's covered-employee payroll	\$7,941
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.24%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

* The amounts presented for each fiscal year were determined as of June 30.

CITY OF MASON CITY, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 709	\$ 693	\$ 670	\$ 649
Contributions in relation to the Statutorily required contribution	<u>709</u>	<u>693</u>	<u>670</u>	<u>649</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$7,941	\$7,763	\$7,730	\$8,048
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 540	\$ 509	\$ 478	\$ 437	\$ 404	\$ 427
<u>540</u>	<u>509</u>	<u>478</u>	<u>437</u>	<u>404</u>	<u>427</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$7,776	\$7,668	\$7,530	\$7,219	\$7,022	\$7,434
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

CITY OF MASON CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(IN THOUSANDS)
JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

CITY OF MASON CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(IN THOUSANDS)
JUNE 30, 2015

Changes of assumptions - continued

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF MASON CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST FISCAL YEAR*
(IN THOUSANDS)
JUNE 30, 2015

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.02005486%
City's proportionate share of the net pension liability	\$7,270
City's covered-employee payroll	4,833
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.40%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF MASON CITY, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 10 FISCAL YEARS
(IN THOUSANDS)
JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 1,462	\$ 1,542	\$ 1,297	\$ 1,235
Contributions in relation to the statutorily required contribution	<u>1,462</u>	<u>1,542</u>	<u>1,297</u>	<u>1,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,833	\$ 5,120	\$ 4,965	\$ 4,987
Contributions as percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,033	\$ 830	\$ 856	\$1,140	\$1,105	\$1,051
<u>1,033</u>	<u>830</u>	<u>856</u>	<u>1,140</u>	<u>1,105</u>	<u>1,051</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$5,189	\$4,883	\$4,569	\$4,473	\$3,984	\$3,725
19.90%	17.00%	18.75%	25.48%	27.75%	28.21%

CITY OF MASON CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
JUNE 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

**SUPPLEMENTARY
INFORMATION**

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2015

	HMGP Voluntary <u>Acquisition</u>	FMA Voluntary <u>Acquisition</u>	<u>Unified TIF</u>
ASSETS:			
Cash	\$ 18,419	\$ -	\$ 895,473
Investments	-	-	-
Receivables:			
Property taxes	-	-	7,123
Succeeding year property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	15,996
Succeeding year special assessments	-	-	95,976
Accounts Receivable	-	-	566
Due from other funds	-	-	41,157
Due from state government	12,099	9,315	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$ 30,518</u>	<u>\$ 9,315</u>	<u>\$1,056,291</u>
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	411	-
Due to other funds	-	41,157	-
Due to state government	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 41,568</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES:			
Succeeding year property tax	\$ -	\$ -	\$ -
Succeeding year special assessments	-	-	95,976
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,976</u>
 Total liabilities and deferred inflows of resources	 <u>\$ -</u>	 <u>\$ 41,568</u>	 <u>\$ 95,976</u>
FUND BALANCE:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	30,518	-	960,315
Assigned	-	-	-
Unassigned	-	(32,253)	-
Total fund balance	<u>\$ 30,518</u>	<u>\$ (32,253)</u>	<u>\$ 960,315</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 30,518</u>	 <u>\$ 9,315</u>	 <u>\$1,056,291</u>

(continued)

<u>Hotel/ Motel Tax</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>
\$110,067	\$ -	\$ 5,736	\$113,466	\$ 84,276	\$ 24,443
-	2,671,566	2,182,451	-	344,604	665,727
-	5,120	3,434	10,001	-	-
-	551,898	408,391	389,835	-	-
-	1,327	1,044	-	505	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	13,125	33,870	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$110,067</u>	<u>\$3,229,911</u>	<u>\$2,614,181</u>	<u>\$547,172</u>	<u>\$429,385</u>	<u>\$690,170</u>
\$ 59,360	\$ -	\$ -	\$ -	\$ 261	\$ -
-	-	-	-	-	-
-	46,995	-	-	-	-
-	-	-	-	-	-
<u>\$ 59,360</u>	<u>\$ 46,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ -</u>
\$ -	\$ 551,898	\$ 408,391	\$389,835	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 551,898</u>	<u>\$ 408,391</u>	<u>\$389,835</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,360	\$ 598,893	\$ 408,391	\$389,835	\$ 261	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50,707	2,631,018	2,205,790	157,337	-	-
-	-	-	-	429,124	690,170
-	-	-	-	-	-
<u>\$ 50,707</u>	<u>\$2,631,018</u>	<u>\$2,205,790</u>	<u>\$157,337</u>	<u>\$429,124</u>	<u>\$690,170</u>
<u>\$110,067</u>	<u>\$3,229,911</u>	<u>\$2,614,181</u>	<u>\$547,172</u>	<u>\$429,385</u>	<u>\$690,170</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2015

	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Local Option Capital Improvement</u>
ASSETS:			
Cash	\$77,547	\$1,329,427	\$2,011,054
Investments	-	5,864,348	550,000
Receivables:			
Property taxes	-	25,678	-
Succeeding year property taxes	-	1,350,124	-
Accrued interest	-	2,876	773
Special assessments - current	-	15,996	-
Succeeding year special assessments	-	95,976	-
Accounts Receivable	-	566	-
Due from other funds	8,690	96,842	155,810
Due from state government	11,557	32,971	181,494
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$97,794</u>	<u>\$8,814,804</u>	<u>\$2,899,131</u>
LIABILITIES:			
Accounts payable	\$16,065	\$ 75,686	\$ 65,083
Salaries payable	-	411	-
Due to other funds	9,106	97,258	-
Due to state government	737	737	-
Total liabilities	<u>\$25,908</u>	<u>\$ 174,092</u>	<u>\$ 65,083</u>
DEFERRED INFLOWS OF RESOURCES:			
Succeeding year property tax	\$ -	\$1,350,124	\$ -
Succeeding year special assessments	-	95,976	-
Total deferred outflows of resources	<u>\$ -</u>	<u>\$1,446,100</u>	<u>\$ -</u>
Total liabilities and deferred inflows of resources	<u>\$25,908</u>	<u>\$1,620,192</u>	<u>\$ 65,083</u>
FUND BALANCE:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	36,456	6,072,141	2,834,048
Assigned	35,430	1,154,724	-
Unassigned	-	(32,253)	-
Total fund balance	<u>\$71,886</u>	<u>\$7,194,612</u>	<u>\$2,834,048</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$97,794</u>	<u>\$8,814,804</u>	<u>\$2,899,131</u>

(continued)

SCHEDULE 1
(continued)

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$455,410	\$ 455,410	\$ 3,795,891
-	533,638	533,638	6,947,986
-	-	-	25,678
-	-	-	1,350,124
-	607	607	4,256
-	-	-	15,996
-	-	-	95,976
-	-	-	566
103,645	-	103,645	356,297
-	-	-	214,465
3,554	-	3,554	3,554
507,950	-	507,950	507,950
204	-	204	204
<u>\$615,353</u>	<u>\$989,655</u>	<u>\$1,605,008</u>	<u>\$13,318,943</u>
\$ -	\$ -	\$ -	\$ 140,769
-	-	-	411
63,456	-	63,456	160,714
-	-	-	737
<u>\$ 63,456</u>	<u>-</u>	<u>\$ 63,456</u>	<u>\$ 302,631</u>
\$ -	\$ -	\$ -	\$ 1,350,124
-	-	-	95,976
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,446,100</u>
\$ 63,456	\$ -	\$ 63,456	\$ 1,748,731
\$ -	\$533,638	\$ 533,638	\$ 533,638
551,897	456,017	1,007,914	9,914,103
-	-	-	1,154,724
-	-	-	(32,253)
<u>\$551,897</u>	<u>\$989,655</u>	<u>\$1,541,552</u>	<u>\$11,570,212</u>
<u>\$615,353</u>	<u>\$989,655</u>	<u>\$1,605,008</u>	<u>\$13,318,943</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	HMGP Voluntary <u>Acquisition</u>	FMA Voluntary <u>Acquisition</u>	Unified TIF
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	1,573,744
Other taxes	-	-	-
Intergovernmental	101,068	157,865	65,073
Service Revenue	-	-	1,934
Use of money and property	-	-	4,942
Special assessments	-	-	22,569
Contributions	-	-	-
Total revenues	<u>\$ 101,068</u>	<u>\$ 157,865</u>	<u>\$1,668,262</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	394,561	(69,593)	703,483
General government	-	-	-
Capital projects	-	-	-
Total expenditures	<u>\$ 394,561</u>	<u>\$ (69,593)</u>	<u>\$ 703,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (293,493)</u>	<u>\$ 227,458</u>	<u>\$ 964,779</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ 91,078
Transfers out	<u>-</u>	<u>-</u>	<u>(783,162)</u>
Total other financing sources- (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (692,084)</u>
Net change in fund balances	\$ (293,493)	\$ 227,458	\$ 272,695
Fund balance beginning of year	<u>324,011</u>	<u>(259,711)</u>	<u>687,620</u>
Fund balance end of year	<u>\$ 30,518</u>	<u>\$ (32,253)</u>	<u>\$ 960,315</u>

(continued)

<u>Hotel/ Motel Tax</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>
\$ -	\$ 569,622	\$ 382,424	\$ 396,929	\$ -	\$ -
-	-	-	-	-	-
661,826	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,059	-
-	193,441	45,074	-	29,045	28,093
-	-	-	-	-	-
-	-	-	-	41,672	16,968
<u>\$ 661,826</u>	<u>\$ 763,063</u>	<u>\$ 427,498</u>	<u>\$ 396,929</u>	<u>\$ 77,776</u>	<u>\$ 45,061</u>
\$ -	\$ 879,419	\$ 582,320	\$ 166,544	\$ -	\$ -
-	-	-	48,167	-	-
-	-	-	10,393	-	-
-	-	-	107,362	45,227	48,926
25,000	-	-	31,770	-	-
507,572	-	-	124,870	-	-
-	-	-	-	-	-
<u>\$ 532,572</u>	<u>\$ 879,419</u>	<u>\$ 582,320</u>	<u>\$ 489,106</u>	<u>\$ 45,227</u>	<u>\$ 48,926</u>
<u>\$ 129,254</u>	<u>\$ (116,356)</u>	<u>\$ (154,822)</u>	<u>\$ (92,177)</u>	<u>\$ 32,549</u>	<u>\$ (3,865)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(140,000)	-	-	-	(45,000)	-
<u>\$ (140,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ -</u>
\$ (10,746)	\$ (116,356)	\$ (154,822)	\$ (92,177)	\$ (12,451)	\$ (3,865)
61,453	2,747,374	2,360,612	249,514	441,575	694,035
<u>\$ 50,707</u>	<u>\$2,631,018</u>	<u>\$2,205,790</u>	<u>\$ 157,337</u>	<u>\$429,124</u>	<u>\$690,170</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>Local Option Capital Improvement</u>
REVENUES:			
Property taxes	\$ -	\$1,348,975	\$ -
TIF revenues	-	1,573,744	-
Other taxes	-	661,826	1,928,665
Intergovernmental	58,114	382,120	-
Service Revenue	11,322	20,315	-
Use of money and property	38,943	339,538	2,703
Special assessments	-	22,569	-
Contributions	480	59,120	2,950
Total revenues	<u>\$ 108,859</u>	<u>\$4,408,207</u>	<u>\$1,934,318</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$1,628,283	\$ -
Public works	-	48,167	-
Health & social services	-	10,393	-
Culture & recreation	43,557	245,072	-
Community & economic development	64,719	1,149,940	-
General government	-	632,442	-
Capital projects	<u>23,863</u>	<u>23,863</u>	<u>1,245,888</u>
Total expenditures	<u>\$ 132,139</u>	<u>\$3,738,160</u>	<u>\$1,245,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (23,280)</u>	<u>\$ 670,047</u>	<u>\$ 688,430</u>
Other financing sources (uses):			
Transfers in	\$ 14,614	\$ 105,692	\$ -
Transfers out	<u>(91,078)</u>	<u>(1,059,240)</u>	<u>(985,110)</u>
Total other financing sources (uses)	<u>\$ (76,464)</u>	<u>\$ (953,548)</u>	<u>\$ (985,110)</u>
Net change in fund balances	\$ (99,744)	\$ (283,501)	\$ (296,680)
Fund balance beginning of year	<u>171,630</u>	<u>7,478,113</u>	<u>3,130,728</u>
Fund balance end of year	<u>\$ 71,886</u>	<u>\$7,194,612</u>	<u>\$2,834,048</u>

(continued)

SCHEDULE 2
(continued)

<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ 1,348,975
-	-	-	1,573,744
-	-	-	2,590,491
-	13,540	13,540	395,660
7,556	-	7,556	27,871
-	4,007	4,007	346,248
-	-	-	22,569
-	51,334	51,334	113,404
<u>\$ 7,556</u>	<u>\$ 68,881</u>	<u>\$ 76,437</u>	<u>\$ 6,418,962</u>
\$ -	\$ -	\$ -	\$ 1,628,283
-	-	-	48,167
-	-	-	10,393
-	-	-	245,072
-	-	-	1,149,940
-	-	-	632,442
-	-	-	1,269,751
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,984,048</u>
<u>\$ 7,556</u>	<u>\$ 68,881</u>	<u>\$ 76,437</u>	<u>\$ 1,434,914</u>
\$ -	\$ -	\$ -	\$ 105,692
<u>-</u>	<u>(47,091)</u>	<u>(47,091)</u>	<u>(2,091,441)</u>
<u>\$ -</u>	<u>\$ (47,091)</u>	<u>\$ (47,091)</u>	<u>\$ (1,985,749)</u>
\$ 7,556	\$ 21,790	\$ 29,346	\$ (550,835)
<u>544,341</u>	<u>967,865</u>	<u>1,512,206</u>	<u>12,121,047</u>
<u>\$551,897</u>	<u>\$989,655</u>	<u>\$1,541,552</u>	<u>\$11,570,212</u>

CITY OF MASON CITY, IOWA
 HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$1,875,032	\$ 101,068	\$ (1,773,964)
EXPENDITURES			
Current:			
Community & economic development:			
Personal service	\$ 13,600	\$ 5,849	\$ 7,751
Contractual	935,471	70,873	864,598
Commodities	925,961	317,839	608,122
Total expenditures	<u>\$1,875,032</u>	<u>\$ 394,561</u>	<u>\$ 1,480,471</u>
Net change in fund balance	\$ -	\$ (293,493)	\$ (293,493)
Fund balance beginning of year	<u>-</u>	<u>324,011</u>	<u>324,011</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 30,518</u></u>	<u><u>\$ 30,518</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	<u>\$378,199</u>	<u>\$157,865</u>	<u>\$ (220,334)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 8,400	\$ 13,120	\$ (4,720)
Contractual	279,854	(83,052)	362,906
Commodities	89,945	339	89,606
Total expenditures	<u>\$378,199</u>	<u>\$ (69,593)</u>	<u>\$ 447,792</u>
Net change in fund balance	\$ -	\$227,458	\$ 227,458
Fund balance beginning of year	-	(259,711)	(259,711)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ (32,253)</u></u>	<u><u>\$ (32,253)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
UNIFIED TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES INFUND BALANCE-
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30,2015

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$1,481,705	\$1,573,744	\$ 92,039
Intergovernmental	-	65,073	65,073
Service revenue	-	1,934	1,934
Uses of Monies & Properties	15,000	4,942	(10,058)
Special assessments	-	22,569	22,569
Total revenues	<u>\$1,496,705</u>	<u>\$1,668,262</u>	<u>\$ 171,557</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ -	\$ 1,698	\$ (1,698)
Contractual	2,166,789	653,785	1,513,004
Commodities	-	48,000	(48,000)
Total community & economic development	<u>\$2,166,789</u>	<u>\$ 703,483</u>	<u>\$ 1,463,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (670,084)</u>	<u>\$ 964,779</u>	<u>\$ 1,634,863</u>
Other financing sources (uses):			
Issuance of bonds	\$1,420,000	\$ -	\$ (1,420,000)
Transfers in	20,000	91,078	71,078
Transfers out	(764,681)	(783,162)	(18,481)
Total other financing sources (uses)	<u>\$ 675,319</u>	<u>\$ (692,084)</u>	<u>\$ (1,367,403)</u>
Net change in fund balance	<u>\$ 5,235</u>	<u>\$ 272,695</u>	<u>\$ 267,460</u>
Fund balance beginning of year	<u>-</u>	<u>687,620</u>	<u>687,620</u>
Fund balance end of year	<u>\$ 5,235</u>	<u>\$ 960,315</u>	<u>\$ 955,080</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
POLICE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 521,677	\$ 569,622	\$ 47,945
Other taxes	10,408	-	(10,408)
Use of money and property:			
Interest on investments	120,000	193,441	73,441
Total revenues	<u>\$ 652,085</u>	<u>\$ 763,063</u>	<u>\$ 110,978</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 802,900	\$ 879,419	\$ (76,519)
Commodities	100	-	100)
Total expenditures	<u>\$ 803,000</u>	<u>\$ 879,419</u>	<u>\$ (76,419)</u>
Net change in fund balance	\$ (150,915)	\$ (116,356)	\$ 34,559
Fund balance beginning of year	<u>-</u>	<u>2,747,374</u>	<u>2,747,374</u>
Fund balance end of year	<u><u>\$ (150,915)</u></u>	<u><u>\$2,631,018</u></u>	<u><u>\$2,781,933</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
FIRE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 370,619	\$ 382,424	\$ 11,805
Other taxes	7,381	-	(7,381)
Use of money and property:			
Interest on investments	100,000	45,074	(54,926)
Total revenues	<u>\$ 478,000</u>	<u>\$ 427,498</u>	<u>\$ (50,502)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 627,900	\$ 582,313	\$ 45,538
Commodities	100	7	93
Total expenditures	<u>\$ 628,000</u>	<u>\$ 582,320</u>	<u>\$ 45,631</u>
Net change in fund balance	\$ (150,000)	\$ (154,822)	\$ (4,871)
Fund balance beginning of year	<u>-</u>	<u>2,360,612</u>	<u>2,360,612</u>
Fund balance end of year	<u>\$ (150,000)</u>	<u>\$2,205,790</u>	<u>\$2,355,741</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 382,907	\$396,929	\$ 14,022
Other city tax	7,623	-	(7,623)
Total revenues	<u>\$ 390,530</u>	<u>\$396,929</u>	<u>\$ 6,399</u>
EXPENDITURES:			
Current:			
Public safety	\$ 146,449	\$166,544	\$(20,095)
Public works	52,668	48,167	4,501
Health & social services	11,378	10,393	985
Culture & recreation	115,775	107,362	8,413
Community & economic development	34,536	31,770	2,766
General government	129,724	124,870	4,854
Total expenditures	<u>\$ 490,530</u>	<u>\$489,106</u>	<u>\$ 1,424</u>
Net change in fund balance	\$ (100,000)	\$ (92,177)	\$ 7,823
Fund balance beginning of year	<u>-</u>	<u>249,514</u>	<u>249,514</u>
Fund balance end of year	<u>\$ (100,000)</u>	<u>\$157,337</u>	<u>\$257,337</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
LIBRARY TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 2,500	\$ 7,059	\$ 4,559
Use of money and property	10,000	29,045	19,045
Contributions	-	20,375	20,375
Miscellaneous	31,000	21,297	(9,703)
Total revenues	<u>\$ 43,500</u>	<u>\$ 77,776</u>	<u>\$ 34,276</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 41,000	\$ 29,153	\$ 11,847
Commodities	7,000	12,882	(5,882)
Other	45,000	3,192	41,808
Total culture & recreation	<u>\$ 93,000</u>	<u>\$ 45,227</u>	<u>\$ 47,773</u>
Capital projects	16,000	-	16,000
Total expenditures	<u>\$109,000</u>	<u>\$ 45,227</u>	<u>\$ 63,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (65,500)</u>	<u>\$ 32,549</u>	<u>\$ 98,049</u>
Other financing sources (uses):			
Transfers out	\$ -	\$ (45,000)	\$ (45,000)
Net change in fund balance	\$ (65,500)	\$ (12,451)	\$ 53,049
Fund balance beginning of year	<u>-</u>	<u>441,575</u>	<u>441,575</u>
Fund balance end of year	<u>\$ (65,500)</u>	<u>\$429,124</u>	<u>\$494,624</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$26,500	\$ 3,361	\$ (23,139)
Use of money and property	-	12,324	12,324
Miscellaneous	500	480	(20)
Total revenues	<u>\$27,000</u>	<u>\$16,165</u>	<u>\$ (10,835)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 2,500	\$ 1,976	\$ 524
Contractual	1,300	(26)	1,326
Commodities	18,000	16,558	1,442
Total culture & recreation	<u>\$21,800</u>	<u>\$18,508</u>	<u>\$ 3,292</u>
Capital projects	5,200	1,342	3,858
Total expenditures	<u>\$27,000</u>	<u>\$19,850</u>	<u>\$ 7,150</u>
Net change in fund balance	\$ -	\$ (3,685)	\$ (3,685)
Fund balance beginning of year	-	9,275	9,275
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 5,590</u></u>	<u><u>\$ 5,590</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 37,100	\$ 10,402	\$ (26,698)
Use of money and property	<u> -</u>	<u>26,600</u>	<u>26,600</u>
Total revenues	<u>\$ 37,100</u>	<u>\$ 37,002</u>	<u>\$ (98)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ \$4,600	\$ 1,453	\$ 3,147
Commodities	<u>25,000</u>	<u>23,596</u>	<u>1,404</u>
Total culture & recreation	<u>\$ 29,600</u>	<u>\$ 25,049</u>	<u>\$ 4,551</u>
Capital projects	<u>25,200</u>	<u>22,521</u>	<u>2,679</u>
Total expenditures	<u>\$ 54,800</u>	<u>\$ 47,570</u>	<u>\$ 7,230</u>
Net change in fund balance	\$ (17,700)	\$ (10,568)	\$ 7,132
Fund balance beginning of year	<u> -</u>	<u>40,407</u>	<u>40,407</u>
Fund balance end of year	<u>\$ (17,700)</u>	<u>\$ 29,839</u>	<u>\$ 47,539</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other Taxes	\$550,000	\$ 661,826	\$ 111,826
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$216,000	\$ 10,000	\$ 206,000
Commodities	-	15,000	(15,000)
Total community & economic development	<u>\$216,000</u>	<u>\$ 25,000</u>	<u>\$ 191,000</u>
General government:			
Contractual	\$ -	\$ 198,500	\$ (198,500)
Other	65,000	309,072	(244,072)
Total general government	<u>\$ 65,000</u>	<u>\$ 507,572</u>	<u>\$ (442,572)</u>
Total expenditures	<u>\$281,000</u>	<u>\$ 532,572</u>	<u>\$ (251,572)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$269,000</u>	<u>\$ 129,254</u>	<u>\$ (139,746)</u>
Other financing sources (uses):			
Transfers out	<u>\$ (90,000)</u>	<u>\$ (140,000)</u>	<u>\$ (50,000)</u>
Net change in fund balance	\$179,000	\$ (10,746)	\$ (189,746)
Fund balance beginning of year	-	61,453	61,453
Fund balance end of year	<u>\$179,000</u>	<u>\$ 50,707</u>	<u>\$ (128,293)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CITY ADMINISTERED GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$250,000	\$ 47,855	\$ (202,145)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$250,000	\$ 62,221	\$ 187,779
Commodities	-	1,749	(1,749)
Total community & economic development program	\$250,000	\$ 63,970	\$ 186,030
Net change in fund balance	\$ -	\$ (16,115)	\$ (16,115)
Fund balance beginning of year	-	-	-
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ (16,115)</u></u>	<u><u>\$ (16,115)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$167,500	\$ -	\$ (167,500)
Miscellaneous	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total revenues	<u>\$177,500</u>	<u>\$ -</u>	<u>\$ (177,500)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ 10,000	\$ 184	\$ 9,816
Commodities	2,500	-	2,500
Contractual	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total expenditures	<u>\$177,500</u>	<u>\$ 184</u>	<u>\$ 177,316</u>
Net change in fund balance	\$ -	\$ (184)	\$ (184)
Fund balance beginning of year	<u>-</u>	<u>339</u>	<u>339</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 155</u></u>	<u><u>\$ 155</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LHAP SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$6,000	\$ -	\$ (6,000)
 EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$6,000	\$ -	\$ 6,000
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance beginning of year	-	8,950	8,950
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$8,950</u></u>	<u><u>\$ 8,950</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
Property tax	\$ 3,072,891	\$ 3,200,048	\$ 127,157
Other taxes	58,353	-	(58,353)
Use of money and property	-	2,590	2,590
Total revenues	<u>\$ 3,131,244</u>	<u>\$ 3,202,638</u>	<u>\$ 71,394</u>
EXPENDITURES:			
Debt service:			
Principal redemption	\$ 4,361,000	\$ 3,446,922	\$ 914,078
Interest payments	802,405	693,901	108,504
Contractual	13,000	62,138	(49,138)
Total debt service	<u>\$ 5,176,405</u>	<u>\$ 4,202,961</u>	<u>\$ 973,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,045,161)</u>	<u>\$ (1,000,323)</u>	<u>\$ 1,044,838</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 98,550	\$ (98,550)
Discount on bonds issued	-	128,026	(128,026)
Transfers in	2,500,161	999,443	1,500,718
Transfers out	-	(52,000)	52,000
Total other financing sources (uses)	<u>\$ 2,500,161</u>	<u>\$ 1,174,019</u>	<u>\$ (1,326,142)</u>
Net change in fund balance	\$ 455,000	\$ 173,696	\$ (281,304)
Fund balance beginning of year	<u>-</u>	<u>28,884</u>	<u>28,884</u>
Fund balance end of year	<u>\$ 455,000</u>	<u>\$ 202,580</u>	<u>\$ (252,420)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other tax	\$1,700,000	\$1,928,665	\$ 228,665
Use of money and property	-	2,703	2,703
Miscellaneous	519,000	2,950	(516,050)
Total revenues	<u>\$2,219,000</u>	<u>\$1,934,318</u>	<u>\$ (284,682)</u>
EXPENDITURES:			
Capital projects	<u>\$1,910,000</u>	<u>\$1,245,888</u>	<u>\$ 664,112</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 309,000	\$ 688,430	\$ 379,430
Other financing sources (uses):			
Transfers in	\$ 230,000	\$ -	\$ (230,000)
Transfers out	<u>(684,750)</u>	<u>(985,110)</u>	<u>(300,360)</u>
Total other financing sources (uses)	<u>\$ (454,750)</u>	<u>\$ (985,110)</u>	<u>\$ (530,360)</u>
Net change in fund balance	\$ (145,750)	\$ (296,680)	\$ (150,930)
Fund balance beginning of year	<u>-</u>	<u>3,130,728</u>	<u>3,130,728</u>
Fund balance end of year	<u>\$ (145,750)</u>	<u>\$2,834,048</u>	<u>\$2,979,798</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
MACNIDER MUSUEM TRUST PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ -	\$ 13,540	\$ 13,540
Use of money and property	10,000	4,007	(5,993)
Contributions	-	51,244	51,244
Miscellaneous	<u>25,000</u>	<u>90</u>	<u>(24,910)</u>
Total revenues	<u>\$35,000</u>	<u>\$ 68,881</u>	<u>\$ 33,881</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	<u>\$35,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 68,881</u>	<u>\$ 68,881</u>
Other financing sources (uses):			
Transfers out	<u>\$ -</u>	<u>\$ (47,091)</u>	<u>\$ (47,091)</u>
Net change in fund balance	\$ -	\$ 21,790	\$ 21,790
Fund balance beginning of year	<u>-</u>	<u>967,865</u>	<u>967,865</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$989,655</u></u>	<u><u>\$989,655</u></u>

See Accompanying Independent Auditor's Report.

ENTERPRISE FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 85,870	\$ 91,764
Investments	50	475,000
Receivables:		
Property taxes	1,629	-
Succeeding year property taxes	148,623	-
Accounts (net)	27,846	36,172
Accrued interest	30	567
Inventory	1,710	-
Due from other funds	63,456	39,605
Prepaid insurance	1,108	-
Total current assets	<u>\$330,322</u>	<u>\$ 643,108</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	185,462	24,728
Improvements	518,293	-
Vehicles	68,390	-
Storm sewer lines	-	4,355,922
Construction in progress	14,967	777,905
Less accumulated depreciation	(531,904)	(2,426,100)
Total property, plant and equipment	<u>\$302,907</u>	<u>\$2,732,455</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related deferred outflows	\$ 33,079	\$ -
Total assets and deferred outflows of resources	<u>\$666,308</u>	<u>\$3,375,563</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 67,260	\$ 23,210	\$ -	\$ 238,049	\$ 506,153
75,000	-	-	200,000	750,050
-	-	-	-	1,629
-	-	-	-	148,623
156,797	8,180	5,269	908,333	1,142,597
18	-	-	177	792
-	2,903	-	69,089	73,702
6,301	-	-	-	109,362
377	1,873	-	1,580	4,938
<u>\$305,753</u>	<u>\$ 36,166</u>	<u>\$ 5,269</u>	<u>\$1,417,228</u>	<u>\$ 2,737,846</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	633,988	-	425,272	1,568,237
12,606	409,983	-	606,019	1,238,798
-	88,903	2,584,991	-	3,192,187
837,875	18,533	13,000	998,270	1,936,068
-	-	-	-	4,355,922
-	-	-	-	792,872
(772,776)	(701,355)	(2,597,309)	(1,000,542)	(8,029,986)
<u>\$538,983</u>	<u>\$646,865</u>	<u>\$4,143,802</u>	<u>\$1,029,019</u>	<u>\$ 9,394,031</u>
<u>\$100,442</u>	<u>\$ 46,521</u>	<u>\$ 6,796</u>	<u>\$ 532,743</u>	<u>\$ 719,581</u>
<u>\$945,178</u>	<u>\$729,552</u>	<u>\$4,155,867</u>	<u>\$2,978,990</u>	<u>\$12,851,458</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Cemetery</u>	<u>Storm Sewer</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,930	\$ 8,494
Salaries payable	6,214	-
Contracts payable	-	35,907
Accrued compensated absences	8,949	-
Due to other funds	103,840	-
Due to state government	-	-
Prepaid interments	33,281	-
Unearned revenue	-	-
Total current liabilities	<u>\$155,214</u>	<u>\$ 44,401</u>
Long-term debt:		
Net OPEB obligation	\$ 12,116	\$ 6,336
Net pension liability	<u>103,032</u>	<u>-</u>
Total long-term debt	<u>\$115,148</u>	<u>\$ 6,336</u>
DEFERRED INFLOWS OF RESOURCES:		
Succeeding year property taxes	\$148,623	\$ -
Pension related deferred inflows	<u>54,475</u>	<u>-</u>
Total deferred inflows of resources	<u>\$203,098</u>	<u>\$ -</u>
Total liabilities and deferred inflows of resources	<u>\$473,460</u>	<u>\$ 50,737</u>
NET POSITION:		
Net investment in capital assets	\$302,907	\$2,732,455
Unrestricted	<u>(110,059)</u>	<u>592,371</u>
Total net position	<u><u>\$192,848</u></u>	<u><u>\$3,324,826</u></u>

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 88,784	\$ 36,260	\$ 683	\$ 46,545	\$ 183,696
19,148	8,553	1,289	31,515	66,719
-	-	-	-	35,907
47,593	14,686	8,311	76,710	156,249
503	50	9,790	762	114,945
-	2,454	-	-	2,454
-	-	-	-	33,281
-	-	600	-	600
<u>\$156,028</u>	<u>\$ 62,003</u>	<u>\$ 20,673</u>	<u>\$ 155,532</u>	<u>\$ 593,851</u>
\$ 49,647	\$ 7,933	\$ 4,123	\$ 41,722	\$ 121,877
312,861	144,904	21,171	1,065,761	1,647,729
<u>\$362,508</u>	<u>\$152,837</u>	<u>\$ 25,294</u>	<u>\$1,107,483</u>	<u>\$1,769,606</u>
\$ -	\$ -	\$ -	\$ -	\$ 148,623
165,413	76,612	11,193	730,142	1,037,835
<u>\$165,413</u>	<u>\$ 76,612</u>	<u>\$ 11,193</u>	<u>\$ 730,142</u>	<u>\$1,186,458</u>
<u>\$683,949</u>	<u>\$ 291,452</u>	<u>\$ 57,160</u>	<u>\$1,993,157</u>	<u>\$3,549,915</u>
\$538,983	\$646,865	\$4,143,802	\$1,029,019	\$9,394,031
(277,754)	(208,765)	(45,095)	(43,186)	(92,488)
<u>\$261,229</u>	<u>\$438,100</u>	<u>\$4,098,707</u>	<u>\$ 985,833</u>	<u>\$9,301,543</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 111,944	\$ 290,965
Operating expenses:		
Business-type activities:		
Personal service	\$ 250,538	\$ 622
Contractual	14,643	-
Commodities	22,506	4,078
Other	-	1
Depreciation	32,043	162,226
Total operating expenses	<u>\$ 319,730</u>	<u>\$ 166,927</u>
Operating income (loss)	<u>\$ (207,786)</u>	<u>\$ 124,038</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 137,372	\$ -
Fines and forfeitures	-	-
Use of money and property	19,455	1,008
Miscellaneous	47,198	866
Interest	-	-
Gain (loss) on sale of capital assets	<u>-</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ 204,025</u>	<u>\$ 1,874</u>
Income (loss) before contributions and transfers	<u>\$ (3,761)</u>	<u>\$ 125,912</u>
Contributions and transfers:		
Transfers in	\$ 60,250	\$ -
Change in net position	\$ 56,489	\$ 125,912
Net position beginning of year, as restated	<u>136,359</u>	<u>3,198,914</u>
Net position end of year	<u>\$ 192,848</u>	<u>\$3,324,826</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,340,995	\$377,962	\$ 43,704	\$1,973,619	\$4,139,189
\$ 357,118	\$246,107	\$ 60,859	\$1,155,321	\$2,070,565
877,239	50,485	61,655	165,149	1,169,171
86,506	104,419	1,491	159,871	378,871
228	487	-	-	716
71,087	36,644	320	190,657	492,977
<u>\$1,392,178</u>	<u>\$438,142</u>	<u>\$ 124,325</u>	<u>\$1,670,998</u>	<u>\$4,112,300</u>
\$ (51,183)	\$ (60,180)	\$ (80,621)	\$ 302,621	\$ 26,889
\$ -	\$ -	\$ -	\$ -	\$ 137,372
-	-	34,356	-	34,356
71	31,280	22	821	52,657
2,098	11,036	-	28,727	89,925
-	-	-	(414)	(414)
-	-	-	(1,833)	(1,833)
\$ 2,169	\$ 42,316	\$ 34,378	\$ 27,301	\$ 312,063
\$ (49,014)	\$ (17,864)	\$ (46,243)	\$ 329,922	\$ 338,952
\$ -	\$100,965	\$ -	\$ -	\$ 161,215
\$ (49,014)	\$ 83,101	\$ (46,243)	\$ 329,922	\$ 500,167
310,243	354,999	4,144,950	655,911	8,801,376
<u>\$ 261,229</u>	<u>\$438,100</u>	<u>\$4,098,707</u>	<u>\$ 985,833</u>	<u>\$9,301,543</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 107,385	\$ 291,132
Cash paid to employees for services	(258,103)	-
Cash paid to other suppliers of goods or services	(76,056)	(53,717)
Proceeds from miscellaneous items	47,198	866
Net cash provided (used) by operating activities	<u>\$ (179,576)</u>	<u>\$ 238,281</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 140,793	\$ -
Transfers in	60,250	-
Net cash provided (used) by non-capital financing activities	<u>\$ 201,043</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (26,757)	\$ (752,113)
Principal payments	-	-
Interest payments	-	-
Net cash provided (used) for capital and related financing activities	<u>\$ (26,757)</u>	<u>\$ (752,113)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 500,000
Purchase of investments	-	(975,000)
Interest received	21,458	478
Rent received	-	-
Net cash provided (used) by investing activities	<u>\$ 21,458</u>	<u>\$ (474,522)</u>
Net increase (decrease) in cash	\$ 16,168	\$ (988,354)
Cash beginning of year	69,702	1,080,118
Cash end of year	<u>\$ 85,870</u>	<u>\$ 91,764</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,345,359	\$ 403,500	\$ 45,711	\$ 1,806,345	\$ 3,999,432
(375,556)	(256,172)	(59,760)	(1,058,565)	(2,008,156)
(903,217)	(172,658)	(58,010)	(547,807)	(1,811,465)
<u>2,098</u>	<u>11,036</u>	<u>34,356</u>	<u>28,727</u>	<u>124,281</u>
\$ 68,684	\$ (14,294)	\$ (37,703)	\$ 228,700	\$ 304,092
\$ -	\$ -	\$ -	\$ -	\$ 140,793
<u>-</u>	<u>100,965</u>	<u>-</u>	<u>-</u>	<u>161,215</u>
\$ -	\$ 100,965	\$ -	\$ -	\$ 302,008
\$ (20,106)	\$ (100,769)	\$ -	\$ (220,506)	\$ (1,120,251)
-	-	-	(36,000)	(36,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(494)</u>	<u>(494)</u>
\$ (20,106)	\$ (100,769)	\$ -	\$ (257,000)	\$ (1,156,745)
\$ -	\$ -	\$ 25,000	\$ -	\$ 525,000
(75,000)	-	(25,000)	(200,000)	(1,275,000)
68	9	22	740	22,775
<u>-</u>	<u>31,561</u>	<u>-</u>	<u>-</u>	<u>31,561</u>
\$ (74,932)	\$ 31,570	\$ 22	\$ (199,260)	\$ (695,664)
\$ (26,354)	\$ 17,472	\$ (37,681)	\$ (227,560)	\$ (1,246,309)
<u>93,614</u>	<u>5,738</u>	<u>37,681</u>	<u>465,609</u>	<u>1,752,462</u>
<u>\$ 67,260</u>	<u>\$ 23,210</u>	<u>\$ -</u>	<u>\$ 238,049</u>	<u>\$ 506,153</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (207,786)	\$124,038
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	32,043	162,226
Miscellaneous income	47,198	866
Change in assets and liabilities:		
(Increase) decrease in receivables	(4,441)	167
(Increase) decrease in inventory	478	-
(Increase) decrease in due from other funds	1,800	(37,114)
(Increase) decrease in prepaid insurance	22	-
(Increase) decrease in deferred outflows	(17,898)	-
Increase (decrease) in accounts and contracts payable	(41,372)	(11,187)
Increase (decrease) in salaries payable	556	-
Increase (decrease) in accrued compensated absences	(961)	-
Increase (decrease) in due to other funds	166	(1,337)
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(119)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	1,427	622
Increase (decrease) in net pension liability	(45,164)	-
Increase (decrease) in deferred inflows	54,475	-
Net cash provided (used) by operating activities	<u>\$ (179,576)</u>	<u>\$238,281</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ (51,183)	\$ (60,180)	\$ (80,621)	\$ 302,621	\$ 26,889
71,087	36,644	320	190,657	492,977
2,098	11,036	34,356	28,727	124,281
4,364	290	2,823	(167,274)	(164,071)
-	949	-	3,522	4,949
(6,301)	-	-	-	(41,615)
356	56	-	-	434
(54,345)	(25,171)	(3,677)	(306,602)	(407,693)
68,437	5,089	(2,617)	(13,065)	5,285
1,015	1,335	268	6,214	9,388
2,040	348	2,189	(2,341)	1,275
(1,736)	37	6,938	(296)	3,772
-	1,852	-	-	1,852
-	-	-	-	(119)
-	-	-	-	-
4,580	327	405	2,829	10,190
(137,141)	(63,518)	(9,280)	(546,434)	(801,537)
165,413	76,612	11,193	730,142	1,037,835
<u>\$ 68,684</u>	<u>\$ (14,294)</u>	<u>\$ (37,703)</u>	<u>\$ 228,700</u>	<u>\$ 304,092</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$125,701	\$ 91,549	\$ 217,250
Investments	-	940,614	940,614
Receivables:			
Property taxes	-	12,089	12,089
Succeeding year property taxes	-	1,243,727	1,243,727
Accrued interest	-	653	653
Due from other funds	20,357	-	20,357
Prepaid insurance	89	-	89
Total current assets	<u>\$146,147</u>	<u>\$2,288,632</u>	<u>\$2,434,779</u>
Property, plant and equipment:			
Equipment	\$107,184	\$ -	\$ 107,184
Vehicles	85,174	-	85,174
Total property, plant and equipment	<u>\$192,358</u>	<u>\$ -</u>	<u>\$ 192,358</u>
Less accumulated depreciation	<u>(170,956)</u>	<u>-</u>	<u>(170,956)</u>
Net property, plant and equipment	<u>\$ 21,402</u>	<u>\$ -</u>	<u>\$ 21,402</u>
Total assets	<u>\$167,549</u>	<u>\$2,288,632</u>	<u>\$2,456,181</u>
LIABILITIES:			
Accounts payable	\$ 1,596	\$ 876,527	\$ 878,123
Salaries payable	4,636	-	4,636
Accrued compensated absences	10,852	-	10,852
Unearned revenue	-	9,752	9,752
Total liabilities	<u>\$ 17,084</u>	<u>\$ 886,279</u>	<u>\$ 903,363</u>
DEFERRED INFLOWS OF RESOURCES:			
Succeeding year property taxes	<u>\$ -</u>	<u>\$1,243,727</u>	<u>\$1,243,727</u>
Total liabilities and deferred inflows of resources	<u>\$ 17,084</u>	<u>\$2,130,006</u>	<u>\$2,147,090</u>
NET POSITION:			
Net investment in capital assets	\$ 21,402	\$ -	\$ 21,402
Unrestricted	<u>129,063</u>	<u>158,626</u>	<u>287,689</u>
Total net position	<u><u>\$150,465</u></u>	<u><u>\$ 158,626</u></u>	<u><u>\$ 309,091</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$241,200	\$ -	\$ 241,200
Health insurance contributions	-	3,225,729	3,225,729
Total operating revenues	<u>\$241,200</u>	<u>\$3,225,729</u>	<u>\$3,466,929</u>
Operating expenses:			
Business-type activities:			
Personal services	\$203,822	\$4,046,111	\$4,249,933
Contractual	11,008	-	11,008
Commodities	26,401	-	26,401
Depreciation	6,835	-	6,835
Total operating expenses	<u>\$248,066</u>	<u>\$4,046,111</u>	<u>\$4,294,177</u>
Operating income (loss)	<u>\$ (6,866)</u>	<u>\$ (820,382)</u>	<u>\$ (827,248)</u>
Nonoperating revenues (expenses):			
Property taxes	\$ -	\$1,346,340	\$1,346,340
Use of money and property	-	21,390	21,390
Total nonoperating revenues (expenses)	<u>\$ -</u>	<u>\$1,367,730</u>	<u>\$1,367,730</u>
Income (loss) before contributions and transfers	<u>\$ (6,866)</u>	<u>\$ 547,348</u>	<u>\$ 540,482</u>
Contributions and transfers:			
Transfers out	\$ -	\$ (300,000)	\$ (300,000)
Change in net assets	\$ (6,866)	\$ 247,348	\$ 240,482
Net position beginning of year	<u>157,331</u>	<u>(88,722)</u>	<u>68,609</u>
Net position end of year	<u>\$150,465</u>	<u>\$ 158,626</u>	<u>\$ 309,091</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$ 239,937	\$ 2,676,545	\$ 2,916,482
Cash received from employees and others	-	547,363	547,363
Cash paid to employees for services	(202,469)	-	(202,469)
Cash paid to suppliers	(45,544)	-	(45,544)
Cash paid for health and life insurance	-	(3,997,502)	(3,997,502)
Net cash provided (used) by operating activities	<u>\$ (8,076)</u>	<u>\$ (773,594)</u>	<u>\$ (781,670)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 1,339,588	\$ 1,339,588
Transfers Out	-	(300,000)	(300,000)
Net cash provided by non-capital financing activities	<u>\$ -</u>	<u>\$ 1,039,588</u>	<u>\$ 1,039,588</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 400,000	\$ 400,000
Purchase of investments	-	(950,000)	(950,000)
Interest received	-	16,794	16,794
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ (533,206)</u>	<u>\$ (533,206)</u>
Net increase in cash	\$ (8,076)	\$ (267,212)	\$ (275,288)
Cash beginning of year	<u>133,777</u>	<u>358,761</u>	<u>492,538</u>
Cash end of year	<u>\$ 125,701</u>	<u>\$ 91,549</u>	<u>\$ 217,250</u>
Noncash capital, investing and financing activities:			
Decrease in fair market value of investments	<u>\$ -</u>	<u>\$ 3,904</u>	<u>\$ 3,904</u>

(continued)

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (6,866)	\$ (820,382)	\$ (827,248)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	6,835	-	6,835
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(1,263)	-	(1,263)
(Increase)decrease in prepaid insurance	51	-	51
Increase (decrease) in accounts payable	(8,168)	49,549	41,381
Increase (decrease) in salaries payable	821	-	821
Increase (decrease) in compensated absences	532	-	532
Increase (decrease) in unearned revenues	-	(2,761)	(2,761)
Increase (decrease) in due to other funds	(18)	-	(18)
 Net cash provided (used) by operating activities	 <u>\$ (8,076)</u>	 <u>\$ (773,594)</u>	 <u>\$ (781,670)</u>

See Accompanying Independent Auditor's Report.

***CAPITAL ASSETS USED
IN
OPERATIONS***

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2015

General capital assets:

Land	\$ 2,634,356
Buildings and structures	23,789,531
Improvements other than buildings	28,994,904
Machinery and equipment	6,188,354
Vehicles	9,142,539
Infrastructure	86,142,417
Construction in progress	<u>18,769,338</u>

Total general capital assets	<u>\$175,661,439</u>
-------------------------------------	-----------------------------

Investment in general capital assets by source:

General fund	<u>\$175,661,439</u>
--------------	----------------------

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2015

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,533,865	\$ 115,000
Fire	4,884,969	75,150
Civil Defense	225,118	-
Building	46,397	-
Inspectors	39,024	-
Neighborhood Services	821,656	-
Total public safety	<u>\$ 9,551,029</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 28,547,417	\$1,725,891
Street	5,406,746	31,363
Infrastructure	87,216,868	-
Arborist	143,645	-
Engineer	194,174	-
Total public works	<u>\$121,508,850</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 23,031	\$ -
Health	20,660	-
Human Rights	8,080	-
Total health and social services	<u>\$ 51,771</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 26,303,312	\$ 673,452
Swimming Pool	3,227,517	-
Recreation	439,767	-
Library	10,083,879	13,500
Museum	1,712,850	-
Band	2,881	-
Total culture and recreation	<u>\$ 41,770,206</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 12,796	\$ -
Transit	1,187,604	-
Total community and economic development	<u>\$ 1,200,400</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 3,836	\$ -
Council/Coffee room	14,297	-
Administrator	16,650	-
Finance	71,647	-
Clerk	3,920	-
City Hall	1,424,595	-
Safety Director	2,019	-
GIS	42,219	-
Total general government	<u>\$ 1,579,183</u>	<u>\$ -</u>
Total general capital assets	<u>\$175,661,439</u>	<u>\$2,634,356</u>

See Accompanying Independent Auditor's Report.

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$ 1,773,156	\$ -	\$ 927,094	\$ 718,615	\$ -	\$ -
914,799	148,187	843,941	2,902,892	-	-
-	-	225,118	-	-	-
-	-	14,809	31,588	-	-
-	-	10,001	29,023	-	-
791,990	-	5,590	24,076	-	-
<u>\$ 3,479,945</u>	<u>\$ 148,187</u>	<u>\$2,026,553</u>	<u>\$3,706,194</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,526,501	\$19,188,043	\$ 497,876	\$1,495,909	\$ -	\$ 113,197
1,537,257	215,910	880,031	2,742,185	-	-
-	-	-	-	86,142,418	1,074,450
-	-	7,315	136,330	-	-
-	-	128,073	66,101	-	-
<u>\$ 7,063,758</u>	<u>\$19,403,953</u>	<u>\$1,513,295</u>	<u>\$4,440,525</u>	<u>\$86,142,418</u>	<u>\$ 1,187,647</u>
\$ -	\$ -	\$ 23,031	\$ -	\$ -	\$ -
-	-	4,391	16,269	-	-
-	-	8,080	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,502</u>	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 964,372	\$ 5,788,603	\$1,107,743	\$ 187,451	\$ -	\$17,581,691
-	3,122,334	105,183	-	-	-
-	136,691	256,745	46,331	-	-
9,519,775	239,231	311,373	-	-	-
1,399,326	147,154	166,370	-	-	-
-	-	2,881	-	-	-
<u>\$11,883,473</u>	<u>\$ 9,434,013</u>	<u>\$1,950,295</u>	<u>\$ 233,782</u>	<u>\$ -</u>	<u>\$17,581,691</u>
\$ -	\$ -	\$ 12,796	\$ -	\$ -	\$ -
392,539	-	49,297	745,768	-	-
<u>\$ 392,539</u>	<u>\$ -</u>	<u>\$ 62,093</u>	<u>\$ 745,768</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 3,836	\$ -	\$ -	\$ -
-	-	14,297	-	-	-
-	-	16,650	-	-	-
-	-	71,647	-	-	-
-	-	3,920	-	-	-
969,816	8,752	446,027	-	-	-
-	-	2,019	-	-	-
-	-	42,219	-	-	-
<u>\$ 969,816</u>	<u>\$ 8,752</u>	<u>\$ 600,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$23,789,531</u>	<u>\$28,994,905</u>	<u>\$6,188,353</u>	<u>\$9,142,538</u>	<u>\$86,142,418</u>	<u>\$18,769,338</u>

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2015

<u>Function and Activity</u>	<u>Balance June 30, 2014</u>
Public Safety:	
Police	\$ 3,624,941
Fire	4,857,058
Civil Defense	225,118
Building	46,398
Inspectors	39,024
Neighborhood Services	821,657
Total public safety	<u>\$ 9,614,196</u>
Public Works:	
Airport	\$ 28,335,284
Street	5,242,304
Infrastructure	85,620,688
Arborist	143,644
Engineer	194,174
Total public works	<u>\$119,536,094</u>
Health and Social Services:	
Youth Task Force	\$ 8,281
Health	20,660
Human Rights	29,317
Total health and social services	<u>\$ 58,258</u>
Culture and Recreation:	
Parks	\$ 8,531,676
Swimming Pool	3,221,438
Recreation	401,302
Library	10,083,879
Museum	1,716,355
Band	2,881
Total culture and recreation	<u>\$ 23,957,531</u>
Community and Economic Development:	
Growth Development and Planning	\$ 12,798
Transit	1,187,604
Total community and economic development	<u>\$ 1,200,402</u>
General Government:	
Mayor	\$ 3,836
Council/Coffee room	14,347
Administrator	16,650
Finance	71,647
Clerk	3,920
City Hall	1,441,559
Safety Director	2,019
GIS	18,325
Total general government	<u>\$ 1,572,303</u>
Total Program & Activity	\$155,938,784
Construction in progress	<u>\$ 19,321,816</u>
Total general capital assets	<u>\$175,260,600</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
\$ 239,525	\$ 330,601	\$ 3,533,865
28,151	240	4,884,969
-	-	225,118
-	-	46,398
-	-	39,024
-	-	821,657
<u>\$ 267,676</u>	<u>\$ 330,841</u>	<u>\$ 9,551,031</u>
\$1,028,910	\$ 929,975	\$ 28,434,219
325,040	160,597	5,406,747
521,729	-	86,142,417
-	-	143,644
-	-	194,174
<u>\$1,875,679</u>	<u>\$1,090,572</u>	<u>\$120,321,201</u>
\$ 14,750	\$ -	\$ 23,031
-	-	20,660
-	21,238	8,079
<u>\$ 14,750</u>	<u>\$ 21,238</u>	<u>\$ 51,770</u>
\$ 189,944	\$ -	\$ 8,721,620
10,760	4,680	3,227,518
68,520	30,055	439,767
-	-	10,083,879
3,875	7,380	1,712,850
-	-	2,881
<u>\$ 273,099</u>	<u>\$ 42,115</u>	<u>\$ 24,188,515</u>
\$ -	\$ -	\$ 12,798
-	-	1,187,604
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,402</u>
\$ -	\$ -	\$ 3,836
-	50	14,297
-	-	16,650
-	-	71,647
-	-	3,920
-	16,965	1,424,594
-	-	2,019
23,894	-	42,219
<u>\$ 23,894</u>	<u>\$ 17,015</u>	<u>\$ 1,579,182</u>
\$2,455,098	\$1,501,781	\$156,892,101
\$1,216,099	\$1,768,577	\$ 18,769,338
<u>\$3,671,197</u>	<u>\$3,270,358</u>	<u>\$175,661,439</u>

**STATISTICAL
SECTION**

**CITY OF MASON CITY, IOWA
STATISTICAL SECTION**

This part of the City of Mason City's comprehensive annual report presents detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130-139
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	140-148
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	149-156
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	157-161
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	162-165

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MASON CITY, IOWA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 84,727,602	\$ 88,920,358	\$ 88,508,650	\$ 84,438,764
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	202,580	28,884	-	-
Perpetual care	511,708	505,952	511,089	527,193
Unrestricted	<u>11,276,131</u>	<u>20,354,057</u>	<u>22,016,269</u>	<u>22,798,317</u>
Total governmental activities net position	<u>\$ 97,351,659</u>	<u>\$110,442,889</u>	<u>\$111,669,646</u>	<u>\$108,397,912</u>
Business-type activities:				
Net investment in capital assets	\$ 49,472,024	\$ 49,736,029	\$ 47,268,020	\$ 45,942,815
Restricted for:				
Bond retirement	2,861,234	2,854,605	2,854,934	2,863,129
Unrestricted	<u>1,324,665</u>	<u>2,963,829</u>	<u>4,731,482</u>	<u>4,005,609</u>
Total business-type activities net position	<u>\$ 53,657,923</u>	<u>\$ 55,554,463</u>	<u>\$ 54,854,436</u>	<u>\$ 52,811,553</u>
Primary government:				
Net investment in capital assets	\$134,199,626	\$138,656,387	\$135,776,670	\$130,381,579
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	3,063,814	2,883,489	2,854,934	2,863,129
Perpetual care	511,708	505,952	511,089	527,193
Unrestricted	<u>12,600,796</u>	<u>23,317,886</u>	<u>26,747,751</u>	<u>26,803,926</u>
Total primary government net position	<u>\$151,009,582</u>	<u>\$165,997,352</u>	<u>\$166,524,082</u>	<u>\$161,209,465</u>

See Accompanying Independent Auditor's Report.

<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 78,121,123	\$ 67,769,666	\$ 60,958,677	\$ 54,151,661	\$ 51,379,331	\$ 47,151,271
633,638	633,638	633,638	633,638	610,638	-
-	61,631	267,858	362,803	505,025	619,718
509,011	505,269	486,855	455,442	429,743	418,734
<u>20,613,538</u>	<u>21,388,087</u>	<u>20,911,732</u>	<u>23,700,869</u>	<u>22,247,468</u>	<u>20,839,020</u>
<u>\$ 99,877,310</u>	<u>\$83,258,7610</u>	<u>\$ 83,258,760</u>	<u>\$ 79,304,413</u>	<u>\$75,172,2015</u>	<u>\$ 69,031,743</u>
\$ 40,172,842	\$ 38,361,919	\$38,209,810	\$ 36,086,120	\$ 35,294,652	\$ 34,761,907
2,866,968	2,853,334	2,836,655	2,799,606	2,578,675	2,379,182
<u>4,952,139</u>	<u>3,251,027</u>	<u>2,085,637</u>	<u>2,149,576</u>	<u>1,274,797</u>	<u>1,206,696</u>
<u>\$ 47,991,949</u>	<u>\$ 44,466,280</u>	<u>\$ 43,132,112</u>	<u>\$ 41,035,302</u>	<u>\$ 39,148,124</u>	<u>\$ 38,347,785</u>
\$118,293,965	\$106,131,585	\$ 99,168,487	\$ 90,237,781	\$ 86,673,983	\$ 81,916,178
633,638	633,638	633,638	633,638	610,638	-
2,866,968	2,914,965	3,104,523	3,162,409	3,083,700	2,998,900
509,011	505,269	486,855	455,442	429,743	418,734
<u>25,565,677</u>	<u>24,639,114</u>	<u>22,997,639</u>	<u>25,850,445</u>	<u>23,522,265</u>	<u>22,045,716</u>
<u>\$147,869,259</u>	<u>\$134,824,571</u>	<u>\$126,390,872</u>	<u>\$120,339,715</u>	<u>\$114,320,329</u>	<u>\$107,379,528</u>

(1) 2011 net position components have been adjusted to reflect the July 1, 2011 restatement.

CITY OF MASON CITY, IOWA
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:				
Governmental activities:				
Public safety	\$ 10,241,751	\$ 10,446,427	\$ 9,943,882	\$ 9,787,453
Public works	10,250,497	8,903,627	7,553,058	7,382,204
Health and social services	439,606	511,107	1,790,824	906,341
Culture and recreation	4,149,775	4,177,101	3,248,655	4,091,975
Community and economic development	2,289,522	2,370,711	3,743,098	1,979,288
General government	2,518,372	2,485,932	2,357,531	2,211,823
Interest on long-term debt	755,292	736,324	863,232	992,502
Total governmental activities expenses	<u>\$ 30,644,815</u>	<u>\$ 29,631,229</u>	<u>\$ 29,500,280</u>	<u>\$ 27,351,586</u>
Business-type activities:				
Cemetery	\$ 331,137	\$ 325,879	\$ 332,576	\$ 333,251
Water	4,975,418	5,092,230	5,154,341	5,158,365
Sewer	3,749,185	3,741,731	3,905,597	3,824,139
Parking lots	128,181	136,465	125,823	112,947
Storm sewer	166,928	204,436	188,616	186,745
Solid waste	1,439,651	1,402,968	1,317,928	1,378,497
Golf course	445,611	446,921	435,999	449,534
Ambulance	1,712,861	1,721,519	1,526,010	1,581,505
Total business-type activities expenses	<u>\$ 12,948,972</u>	<u>\$ 13,072,149</u>	<u>\$ 12,986,890</u>	<u>\$ 13,024,983</u>
Total primary government expenses	<u>\$ 43,593,787</u>	<u>\$ 42,703,378</u>	<u>\$ 42,487,170</u>	<u>\$ 40,376,569</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
Public safety	\$ 354,664	\$ 422,028	\$ 417,633	\$ 381,382
Culture and recreation	542,348	495,266	481,665	540,478
General government	344,976	304,320	364,171	311,974
Other activities	175,334	188,687	328,260	424,824
Operating grants and contributions	4,357,766	3,957,726	4,679,847	4,303,876
Capital grants and contributions	1,387,300	2,531,898	6,022,423	8,315,838
Total governmental activities program revenues	<u>\$ 7,162,388</u>	<u>\$ 7,899,925</u>	<u>\$ 12,293,999</u>	<u>\$ 14,278,372</u>
Business-type activities:				
Charges for services:				
Water	\$ 5,672,300	\$ 5,526,389	\$ 5,723,723	\$ 5,388,342
Sewer	4,261,982	4,135,284	4,370,992	4,388,117
Other activities	4,173,545	3,688,887	3,986,210	3,830,609
Operating grants and contributions	-	-	(46,721)	37,354
Capital grants and contributions	-	-	681,130	4,030,634
Total business-type activities program revenues	<u>\$ 14,107,827</u>	<u>\$ 13,350,560</u>	<u>\$ 14,715,334</u>	<u>\$ 17,675,056</u>
Total primary government program revenues	<u>\$ 21,270,215</u>	<u>\$ 21,250,485</u>	<u>\$ 27,009,333</u>	<u>\$ 31,953,428</u>
Net (Expense) Revenues:				
Governmental activities	\$ (23,482,427)	\$ (21,731,304)	\$ (17,206,287)	\$ (13,073,214)
Business-type activities	1,158,855	278,411	1,728,444	4,650,073
Total primary government net (expense)/ revenues	<u>\$ (22,323,572)</u>	<u>\$ (21,452,893)</u>	<u>\$ (15,477,837)</u>	<u>\$ (8,423,141)</u>

(continued)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 9,402,887	\$ 8,897,795	\$ 8,776,634	\$ 8,836,067	\$ 8,497,763	\$ 8,550,232
7,450,233	6,910,495	6,912,927	6,547,510	5,695,837	5,510,270
808,916	779,197	769,456	838,912	719,340	614,429
3,503,976	3,475,535	3,720,434	3,192,566	3,197,601	3,029,345
2,252,333	2,368,084	1,937,074	1,516,775	1,429,911	3,610,475
2,176,829	2,593,594	2,668,372	2,206,251	2,241,467	2,366,733
1,053,911	987,814	695,529	580,638	541,891	509,503
<u>\$ 26,649,085</u>	<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>	<u>\$ 23,718,719</u>	<u>\$ 22,323,810</u>	<u>\$ 24,190,987</u>
\$ 314,613	\$ 300,661	\$ 282,484	\$ 263,411	\$ 265,149	\$ 258,434
5,218,343	5,244,979	5,047,464	4,896,428	4,791,948	4,193,851
3,505,748	3,473,401	3,118,427	2,841,619	2,754,070	2,670,534
127,198	135,289	118,762	112,018	103,884	114,494
189,862	182,262	178,107	188,876	116,252	125,947
1,289,603	1,244,442	1,201,526	1,141,987	1,090,911	
473,005	453,765	463,543	496,383	465,044	404,347
1,572,168	1,265,397	1,353,951	1,300,570	1,169,878	1,150,308
		1,265,397			
<u>\$ 12,690,540</u>	<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>	<u>\$ 11,300,831</u>	<u>\$ 10,808,212</u>	<u>\$ 10,008,826</u>
<u>\$ 39,339,625</u>	<u>\$ 38,312,710</u>	<u>\$ 37,260,066</u>	<u>\$ 35,019,550</u>	<u>\$ 33,132,022</u>	<u>\$ 34,199,813</u>
\$ 356,340	\$ 287,781	\$ 388,341	\$ 331,821	\$ 469,917	\$ 503,548
550,848	458,412	474,665	462,564	529,079	465,783
410,024	382,266	453,072	399,780	372,805	203,975
269,465	587,134	215,322	266,913	229,317	506,609
3,748,874	2,380,822	1,970,043	1,586,253	1,690,908	3,382,410
10,109,341	7,737,713	4,828,170	3,383,038	4,537,680	4,771,256
<u>\$ 15,444,892</u>	<u>\$ 11,834,128</u>	<u>\$ 8,929,613</u>	<u>\$ 6,430,369</u>	<u>\$ 7,819,706</u>	<u>\$ 9,833,581</u>
\$ 5,238,573	\$ 4,979,982	\$ 4,647,116	\$ 4,701,954	\$ 4,587,840	\$ 4,091,801
4,658,234	4,304,033	4,196,151	3,060,266	2,583,223	2,347,982
3,645,750	3,612,573	3,637,931	3,525,466	3,272,750	3,043,408
619,206	188,313	584,695	-	-	-
914,735	206,190	270,810	1,111,409	583,409	523,134
<u>\$ 15,076,498</u>	<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>	<u>\$ 12,399,095</u>	<u>\$ 11,027,222</u>	<u>\$ 10,006,325</u>
<u>\$ 30,521,390</u>	<u>\$ 25,125,219</u>	<u>\$ 21,666,316</u>	<u>\$ 18,829,464</u>	<u>\$ 18,856,928</u>	<u>\$ 19,839,906</u>
\$ (11,204,193)	\$ (14,178,386)	\$ (17,150,813)	\$ (17,288,350)	\$ (14,494,104)	\$ (14,357,406)
2,385,958	990,895	1,557,063	1,098,264	219,010	(2,501)
<u>\$ (8,818,235)</u>	<u>\$ (13,187,491)</u>	<u>\$ (15,593,750)</u>	<u>\$ (16,190,086)</u>	<u>\$ (14,275,094)</u>	<u>\$ (14,359,907)</u>

**CITY OF MASON CITY, IOWA
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenues and Other Changes in Net Position:				
Governmental activities:				
General revenues:				
Property taxes	\$16,054,359	\$14,705,071	\$14,956,662	\$14,594,866
Other taxes	5,525,372	4,830,052	5,042,539	5,319,902
Franchise taxes	-	-	13,500	-
Road use tax	-	-	-	-
Unrestricted state utility tax replacement	155,992	160,367	159,198	156,531
Grants and contributions not restricted to specific program	6,460	162,241	11,192	95,746
Unrestricted investment income	682,226	641,132	233,535	1,002,440
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	52,321	106,062	114,885	259,331
Transfers	(121,215)	(100,378)	(53,496)	165,000
Total governmental activities	<u>\$22,355,515</u>	<u>\$20,504,547</u>	<u>\$20,478,015</u>	<u>\$21,593,816</u>
Business-type activities:				
General revenues:				
Property taxes	\$ 137,372	\$ 126,798	\$ 120,001	\$ 114,460
Grants and contributions not restricted to specific program	-	-	-	-
Unrestricted investment income	86,078	71,380	63,986	112,040
Miscellaneous	164,043	123,060	76,956	108,031
Transfers	121,215	100,378	53,496	(165,000)
Total business-type activities	<u>\$ 508,708</u>	<u>\$ 421,616</u>	<u>\$ 314,439</u>	<u>\$ 169,531</u>
Total primary government	<u>\$22,864,223</u>	<u>\$20,926,163</u>	<u>\$20,792,454</u>	<u>\$21,763,347</u>
Change in Net Position:				
Governmental activities	\$(1,126,912)	\$(1,226,757)	\$ 3,271,734	\$ 8,520,602
Business-type activities	1,667,563	700,027	2,042,883	4,819,604
Total primary government	<u>\$ 540,651</u>	<u>\$ (526,730)</u>	<u>\$ 5,314,617</u>	<u>\$13,340,206</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 2
(continued)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$14,145,418	\$13,104,150	\$12,884,283	\$12,343,528	\$11,819,970	\$10,490,524
4,783,420	4,435,891	4,576,634	5,032,706	4,400,683	4,112,909
-	-	-	-	-	-
-	2,466,138	2,417,780	2,499,599	2,440,873	2,442,817
151,361	174,130	186,493	186,315	184,216	159,226
386,403	19,107	44,895	10,001	92,191	80,804
596,673	1,068,587	795,157	1,478,799	1,746,741	1,028,584
-	-	-	-	-	-
259,307	13,663	265,548	104,746	46,892	10,037
(36,000)	(3,749)	(65,630)	(235,136)	(97,000)	(29,796)
<u>\$20,286,582</u>	<u>\$21,277,917</u>	<u>\$21,105,160</u>	<u>\$21,420,558</u>	<u>\$20,634,566</u>	<u>\$18,295,105</u>
\$ 113,987	\$ 112,825	\$ 105,232	\$ 100,873	\$ 92,417	\$ 92,994
-	-	-	2,825	-	-
96,638	133,399	198,766	346,442	343,964	185,868
81,894	93,300	170,119	103,638	47,948	81,318
36,000	3,749	65,630	235,136	97,000	29,796
<u>\$ 328,519</u>	<u>\$ 343,273</u>	<u>\$ 539,747</u>	<u>\$ 581,329</u>	<u>\$ 389,976</u>	<u>\$ 659,159</u>
<u>\$20,615,101</u>	<u>\$21,621,190</u>	<u>\$21,644,907</u>	<u>\$22,209,472</u>	<u>\$21,215,895</u>	<u>\$18,685,081</u>
\$ 9,082,389	\$ 7,099,531	\$ 3,954,347	\$ 4,132,208	\$ 6,140,462	\$ 3,937,699
2,714,477	1,344,168	2,096,810	1,887,178	800,339	387,475
<u>\$11,796,866</u>	<u>\$ 8,433,699</u>	<u>\$ 6,051,157</u>	<u>\$ 6,019,386</u>	<u>\$ 6,940,801</u>	<u>\$ 4,325,174</u>

CITY OF MASON CITY, IOWA
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	150,431	150,177	143,958	151,565
Restricted	1,041,256	1,159,526	1,214,910	1,295,953
Assigned	244,094	209,235	144,553	374,681
Unassigned	5,531,032	4,182,542	5,542,781	5,165,554
Total general fund	<u>\$ 6,966,813</u>	<u>\$ 5,701,480</u>	<u>\$ 7,046,202</u>	<u>\$ 6,987,753</u>
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Nonspendable	547,542	797,680	646,753	646,187
Restricted	12,698,720	13,572,250	12,960,704	13,067,223
Assigned	1,154,724	1,394,529	1,062,246	1,378,163
Unassigned	(32,253)	3,922,831	(242,382)	(156,514)
Total all other governmental funds	<u>\$14,368,733</u>	<u>\$19,687,290</u>	<u>\$14,427,321</u>	<u>\$14,935,059</u>

Note: The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011.

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ -	\$ 214,097	\$ 227,684	\$ 209,866	\$ 211,759	\$ 208,096
-	8,311,761	7,035,343	8,412,260	8,669,062	8,593,915
139,912	-	-	-	-	-
1,316,949	-	-	-	-	-
474,153	-	-	-	-	-
5,125,768	-	-	-	-	-
<u>\$ 7,056,782</u>	<u>\$ 8,525,858</u>	<u>\$ 7,263,027</u>	<u>\$ 8,622,126</u>	<u>\$ 8,880,821</u>	<u>\$ 8,802,011</u>
\$ -	\$ 1,211,159	\$ 1,398,244	\$ 1,457,861	\$ 1,551,247	\$ 1,045,151
-	9,542,365	8,662,741	8,760,295	7,807,590	6,722,890
-	654,364	2,371,946	3,882,653	3,788,901	3,614,649
-	175,591	268,182	299,917	301,100	893,426
645,079	-	-	-	-	-
12,077,490	-	-	-	-	-
1,380,703	-	-	-	-	-
(1,391,926)	-	-	-	-	-
<u>\$12,711,346</u>	<u>\$11,583,479</u>	<u>\$12,701,113</u>	<u>\$14,400,726</u>	<u>\$13,448,838</u>	<u>\$12,276,116</u>

CITY OF MASON CITY, IOWA
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Property taxes	\$13,134,275	\$12,800,233	\$12,832,251	\$12,329,153
TIF revenues	1,573,744	1,415,513	1,409,284	1,500,976
Other taxes	5,678,666	5,003,919	5,215,237	5,476,433
Licenses and permits	580,014	610,516	587,652	598,403
Intergovernmental	5,207,187	6,043,361	10,176,181	12,222,158
Charges for services	754,598	708,049	889,012	950,316
Fines and forfeitures	59,722	71,074	80,084	83,949
Use of money and property	660,836	629,500	252,129	966,669
Special assessments	22,988	20,662	34,981	25,990
Miscellaneous	643,736	751,594	997,852	690,139
Refunds	11,077	25,555	53,316	15,396
Total revenues	<u>\$28,326,843</u>	<u>\$28,079,976</u>	<u>\$32,527,979</u>	<u>\$34,859,582</u>
Expenditures:				
Public safety	\$10,068,835	\$ 9,461,048	\$ 8,936,006	\$ 8,935,302
Public works	3,488,692	3,388,778	3,174,323	3,130,523
Health and social services	439,271	491,775	734,159	853,755
Culture and recreation	3,184,421	3,061,843	3,396,606	3,092,889
Community and economic development	2,228,117	2,826,482	5,490,905	5,472,392
General government	2,454,268	2,338,806	2,200,056	2,101,725
Capital projects	4,103,833	4,851,153	6,120,323	6,437,190
Debt service:				
Principal retirement	3,446,922	3,024,646	3,342,294	3,363,870
Interest	693,901	710,057	818,835	956,803
Contractual	62,138	30,408	52,780	62,470
Total expenditures	<u>\$30,170,398</u>	<u>\$30,184,996</u>	<u>\$34,266,287</u>	<u>\$34,406,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,843,555)</u>	<u>\$ (2,105,020)</u>	<u>\$ (1,738,308)</u>	<u>\$ 452,663</u>
Other financing sources (uses):				
Issuance of refunding bonds	\$ -	\$ -	\$ 890,000	\$ 2,144,077
Payment to refunding escrow agent	-	-	(860,000)	(1,994,077)
Issuance of general obligation bonds	3,185,000	895,000	1,325,000	1,400,000
Premium (discount) on bonds issued	128,026	24,165	(12,485)	(12,980)
Sale of capital assets	-	-	-	-
Transfers in	2,488,068	1,754,526	2,921,668	2,828,522
Transfers out	(2,309,283)	(2,354,904)	(2,975,164)	(2,663,521)
Total other financing sources (uses)	<u>\$ 3,491,811</u>	<u>\$ 318,787</u>	<u>\$ 1,289,019</u>	<u>\$ 1,702,021</u>
Net change in fund balances	<u>\$ 1,648,256</u>	<u>\$ (1,786,233)</u>	<u>\$ (449,289)</u>	<u>\$ 2,154,684</u>
Debt service as a percentage of noncapital expenditures	<u>15.89%</u>	<u>14.74%</u>	<u>14.78%</u>	<u>15.45%</u>

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$11,933,871	\$11,227,096	\$10,615,964	\$ 9,991,874	\$ 9,509,937	\$ 8,441,105
1,438,648	1,113,291	1,293,624	1,549,165	1,539,641	1,324,877
4,934,781	4,610,021	4,763,020	5,219,025	4,584,899	4,272,135
627,128	526,228	594,809	589,770	583,098	422,326
13,550,171	11,920,642	8,771,337	7,062,389	7,917,610	9,576,497
868,987	1,098,884	788,428	673,796	804,962	986,768
81,317	73,912	117,261	88,621	169,377	195,322
580,143	1,046,555	747,268	1,408,275	1,685,388	994,387
9,245	16,569	30,900	108,927	43,681	75,497
1,016,838	637,005	591,339	497,160	860,681	1,127,791
7,984	34,447	207,873	72,695	73,281	111,921
<u>\$35,049,113</u>	<u>\$32,304,650</u>	<u>\$28,521,930</u>	<u>\$27,261,697</u>	<u>\$27,772,552</u>	<u>\$27,528,626</u>
\$ 8,744,332	\$ 8,377,479	\$ 8,121,819	\$ 8,339,910	\$ 8,088,949	\$ 7,904,694
3,228,134	3,398,998	2,879,684	3,278,651	3,218,936	2,954,535
787,650	765,063	750,863	805,599	699,620	586,664
2,917,485	2,988,797	3,046,106	2,785,729	2,815,767	2,596,250
12,624,763	7,278,193	1,693,168	1,134,548	1,301,826	3,617,369
2,113,201	2,469,483	2,531,895	2,134,146	2,175,747	2,244,677
7,502,631	13,623,213	16,059,284	7,859,352	8,772,725	8,734,458
2,601,875	2,117,833	1,659,835	1,792,073	1,571,570	1,396,363
993,656	955,151	634,734	530,122	515,464	490,091
41,578	9,669	48,424	50,115	22,100	16,113
<u>\$41,555,305</u>	<u>\$41,983,879</u>	<u>\$37,425,812</u>	<u>\$28,710,245</u>	<u>\$29,182,704</u>	<u>\$30,541,214</u>
<u>\$ (6,506,192)</u>	<u>\$ (9,679,229)</u>	<u>\$ (8,903,882)</u>	<u>\$ (1,448,548)</u>	<u>\$ (1,410,152)</u>	<u>\$ (3,012,588)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
5,785,000	9,108,900	5,485,800	2,400,300	2,775,000	1,280,000
(32,017)	25,275	-	(23,422)	(16,317)	-
-	-	-	-	153,000	-
2,578,286	2,655,746	2,537,998	1,462,290	1,494,141	1,808,784
(1,849,286)	(1,965,495)	(2,178,628)	(1,697,426)	(1,591,141)	(1,838,580)
<u>\$ 6,481,983</u>	<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>	<u>\$ 2,141,742</u>	<u>\$ 2,661,683</u>	<u>\$ 1,403,204</u>
<u>\$ (24,209)</u>	<u>\$ 145,197</u>	<u>\$ (3,058,712)</u>	<u>\$ 693,194</u>	<u>\$ 1,251,531</u>	<u>\$ (1,609,384)</u>
<u>10.56%</u>	<u>10.84%</u>	<u>10.74%</u>	<u>11.14%</u>	<u>10.23%</u>	<u>8.65%</u>

CITY OF MASON CITY, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies & Credits</u>
2015	\$13,108,904	\$1,573,744	\$16,664	\$8,707
2014	12,774,262	1,415,513	17,911	8,060
2013	12,807,444	1,409,283	17,403	7,405
2012	12,329,153	1,500,976	17,243	6,635
2011	11,933,871	1,438,648	17,385	6,028
2010	11,227,096	1,113,291	17,898	6,034
2009	10,595,874	1,293,624	20,090	-
2008	9,991,874	1,549,165	17,051	-
2007	9,509,934	1,539,641	16,878	-
2006	8,441,105	1,324,877	16,416	-

<u>Fiscal Year</u>	<u>Hotel/ Motel Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
2015	\$686,826	\$155,992	\$2,892,998	\$18,443,835
2014	581,732	160,367	2,551,976	17,509,821
2013	562,295	159,198	2,681,986	17,645,014
2012	544,623	156,531	2,836,036	17,391,197
2011	412,712	151,361	2,580,116	16,540,121
2010	449,699	174,130	2,460,515	15,448,663
2009	439,464	186,493	2,458,596	14,994,141
2008	333,278	186,316	2,797,987	14,875,671
2007	303,510	184,216	2,430,608	13,984,787
2006	308,951	159,226	2,258,668	12,509,243

(1) Includes General, Special Revenue and Debt Service Funds

See Accompanying Independent Auditor's Report.

**CITY OF MASON CITY, IOWA
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
2014	2015	\$1,091,398,550	\$352,091,031	\$ 99,274,430	\$15,455,130
2013	2014	1,090,626,518	385,599,158	106,395,280	18,155,250
2012	2013	1,084,170,413	375,551,210	99,342,061	12,935,557
2011	2012	1,082,708,259	375,761,167	105,170,753	13,014,606
2010	2011	1,087,197,119	373,188,488	116,132,318	10,462,956
2009	2010	1,075,186,271	358,218,056	118,180,425	10,603,851
2008	2009	1,073,694,584	357,754,516	123,274,907	7,445,461
2007	2008	1,059,165,761	334,628,381	118,779,067	7,401,777
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559
2005	2006	883,697,384	321,964,594	105,003,491	5,666,734

(1) State mandated rollbacks have been applied to each class of property

(2) Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1) (2)</u>	<u>Total Direct Tax Rate</u>
\$63,509,283	\$1,621,728,424	\$1,084,921,577	13.85102
63,978,505	1,664,754,711	1,132,555,552	13.02255
51,062,791	1,623,062,032	1,106,330,731	13.55111
58,902,940	1,635,557,725	1,096,817,538	13.56506
55,575,034	1,642,555,915	1,079,732,545	13.39427
39,183,481	1,601,372,084	1,026,972,722	12.73451
38,557,472	1,600,726,940	1,016,064,811	12.80116
38,557,472	1,558,532,458	964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642
33,420,085	1,349,752,288	869,786,552	11.63721

CITY OF MASON CITY, IOWA
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

REGULAR DISTRICTS

<u>Fiscal Year</u>	<u>CITY OF MASON CITY</u>			
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Retirement Millage</u>	<u>Total City Millage</u>
2015	8.37904	2.90537	2.56661	13.85102
2014	8.43261	2.86429	1.72565	13.02255
2013	8.43639	3.11309	2.00163	13.55111
2012	8.49471	2.97035	2.10000	13.56506
2011	8.67914	2.78243	1.93270	13.39427
2010	8.71062	2.10902	1.91487	12.73451
2009	8.83574	1.52791	2.43751	12.80116
2008	8.86866	1.33259	2.46989	12.67114
2007	8.83050	1.05727	2.36865	12.25642
2006	8.66274	.88534	2.08913	11.63721

Source: Cerro Gordo County Auditor

Note: The City's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rates for debt service and retirement are set based on each year's requirements.

See Accompanying Independent Auditor's Report.

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT			Other	Total Millage
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
5.84151	.40783	6.24934	11.32710	1.87119	13.19829	3.00375	33.29865
5.83306	.40276	6.23582	11.04654	-	11.04654	3.00375	33.30866
5.81660	.41922	6.23582	13.31719	-	13.31719	3.00375	36.10787
5.81660	.43417	6.25077	15.11036	-	15.11036	3.00375	37.92994
5.81451	.45591	6.27042	15.11732	-	15.11732	3.00375	37.78576
5.82555	.46592	6.29147	13.61683	-	13.61683	3.00375	35.64656
5.83059	.48632	6.31691	13.67407	-	13.67407	3.00375	35.79589
5.83592	.75876	6.59468	14.08418	-	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310
5.86024	.33910	6.19934	14.71869	-	14.71869	3.00375	35.55899

CITY OF MASON CITY, IOWA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015		
	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
Interstate Power Company	\$ 57,084,755	1	3.50%
Golden Grain Energy, LLC	19,194,660	2	1.18
Lehigh Portland Cement Company	15,041,400	3	0.93
Mills Properties, Inc.	12,346,517	4	0.76
Wal-Mart Real Estate Business Trust	11,599,630	5	0.72
AADG, Inc.	10,208,480	6	0.63
IPE 1031 Rev 161, LLC & IPE 1031 Rev 172, LLC (formally known as Principal Mutual Life Insurance Group)	8,863,840	7	0.55
Sunny Fresh Foods, Inc.	8,528,010	8	0.53
Mason City Shopping Center LP	8,517,130	9	0.53
Armour-Eckrich Meats, LLC	8,246,260	10	0.51
Northwestern States Cement-Holnam, Inc.	-		-
Downtown Mall Associates	-		-
Mercy Medical Center - North Iowa	-		-
Total	<u>\$159,630,682</u>		<u>9.84%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

2006		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 22,878,964	1	2.63%
11,591,708	5	1.33
17,880,939	2	2.05
9,955,050	7	1.14
9,527,570	8	1.09
14,872,021	3	1.71
8,779,280	9	1.01
-		-
-		-
-		-
14,032,099	4	1.61
10,690,760	6	1.23
7,183,426	10	0.83
<u>\$127,391,817</u>		<u>14.63%</u>

CITY OF MASON CITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy Amount</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>
2014	2015	\$14,405,234	\$14,101,474	97.89%	\$ -
2013	2014	13,543,634	13,249,201	97.83	-
2012	2013	13,822,521	13,488,070	97.58	5,168
2011	2012	13,368,985	13,106,318	98.04	1,560
2010	2011	12,949,529	12,922,145	99.79	20,728
2009	2010	12,269,045	12,246,928	99.82	16,935
2008	2009	11,901,194	11,885,781	99.87	11,174
2007	2008	11,065,910	11,062,272	99.97	1,602
2006	2007	10,549,474	10,547,547	99.98	879
2005	2006	9,414,330	9,411,788	99.97	1,614

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$14,101,474	97.89%
13,249,201	97.83
13,493,238	97.62
13,107,878	98.05
12,942,873	99.95
12,264,391	99.96
11,897,573	99.97
11,063,874	99.98
10,548,426	99.99
9,413,402	99.99

**CITY OF MASON CITY, IOWA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			
	General Obligation		TIF Revenue	Lease
	Bonds	Notes	Bonds	
2015	\$20,675,000	\$ -	\$ -	\$ -
2014	20,936,911	-	-	-
2013	23,066,557	-	-	-
2012	23,854,077	150,000	1,049,774	-
2011	25,339,320	295,000	1,233,400	-
2010	21,684,866	594,958	1,404,774	-
2009	14,138,132	884,958	1,569,339	-
2008	9,776,550	1,333,671	1,727,044	-
2007	9,777,692	408,671	2,072,975	-
2006	8,153,984	500,000	2,401,925	64,829

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	Capital
	Bonds	Notes	Bonds	Lease
2015	\$6,785,000	\$ -	\$18,231,000	\$ -
2014	4,883,090	36,000	20,061,480	-
2013	5,928,444	123,169	21,971,273	-
2012	6,100,923	205,085	23,821,018	-
2011	7,050,680	282,887	25,602,694	-
2010	6,840,134	356,890	27,146,278	-
2009	6,236,868	696,052	26,057,827	-
2008	5,903,450	410,780	18,740,604	105,480
2007	3,667,308	513,735	17,888,281	207,231
2006	3,991,016	362,596	15,429,715	305,324

See Accompanying Independent Auditor's Report.

<u>Settlement Note</u>	<u>Total</u>
\$ -	\$20,675,000
-	20,936,911
-	23,066,557
-	25,053,851
-	26,867,720
-	23,684,598
-	16,592,429
-	12,837,265
4,889	12,264,227
31,528	11,152,266

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$25,016,000	\$45,691,000	3.45%	\$1,627
24,980,570	45,917,481	3.59	1,635
28,022,886	51,089,443	4.41	1,819
30,127,026	55,180,877	5.09	1,965
32,936,261	59,803,981	6.14	2,130
34,343,302	58,027,900	5.37	1,989
32,990,747	49,583,176	4.91	1,700
25,160,314	37,997,579	3.88	1,303
22,276,555	34,540,782	3.63	1,184
20,088,651	31,240,917	3.40	1,071

CITY OF MASON CITY, IOWA
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
 VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2015	28,079	\$1,084,921,577	\$27,460,000	\$202,580
2014	28,079	1,132,555,552	25,856,001	28,884
2013	28,079	1,089,127,619	29,118,278	(10,025)
2012	28,079	1,076,208,365	30,310,085	(8,624)
2011	28,079	1,079,732,545	32,967,887	(121,160)
2010	29,172	1,026,972,722	29,476,848	61,630
2009	29,172	1,016,064,811	21,956,010	267,858
2008	29,172	964,618,055	17,424,451	362,803
2007	29,172	944,867,130	14,367,406	505,025
2006	29,172	869,786,552	13,007,596	619,718

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2015	\$27,257,420	2.51%	\$ 970.74
2014	25,827,117	2.28	919.80
2013	29,128,303	2.67	1,037.37
2012	30,318,709	2.82	1,079.76
2011	33,089,047	3.06	1,178.43
2010	29,415,218	2.86	1,008.34
2009	21,688,152	2.13	743.46
2008	17,061,648	1.77	584.86
2007	13,862,381	1.47	475.19
2006	12,387,878	1.42	424.65

Source:

(1) U.S. Census Bureau

(2) City Assessor

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2015

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$20,675,000	100.0%	\$20,675,000
Overlapping (2):			
Mason City Community			
School District	\$31,520,561	-	\$28,296,008
Cerro Gordo County	10,515,250	45.1	4,742,378
North Iowa Area Community College	32,460,000	-	-
Total overlapping	\$74,495,811		\$33,038,386
Total	\$95,170,811		\$53,713,386

Source: Information provided by individual unit.

- (1) Excluding general obligation debt reported in the Enterprise Funds
- (2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Mason City. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident—and therefore responsible for repaying the debt—of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

See Accompanying Independent Auditor's Report.

**CITY OF MASON CITY, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt limit	\$83,252,607	\$83,237,735	\$82,847,356	\$81,919,465
Total net debt applicable to limit	<u>27,460,000</u>	<u>25,820,000</u>	<u>28,995,000</u>	<u>31,154,774</u>
Legal debt margin	<u>\$55,792,607</u>	<u>\$57,417,735</u>	<u>\$53,852,356</u>	<u>\$50,764,691</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>32.98%</u>	<u>31.02%</u>	<u>34.99%</u>	<u>38.03%</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Actual assessed valuation:	
Real property	\$1,607,516,072
Utilities	<u>57,536,076</u>
Total actual assessed valuation	<u>\$1,665,052,148</u>
Debt limit - 5% of actual valuation	\$ 83,252,607
Total net debt applicable to limit	<u>27,460,000</u>
Legal debt margin	<u>\$ 55,792,607</u>

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$82,847,356	\$80,068,604	\$80,036,347	\$77,926,623	\$74,094,419	\$67,487,614
<u>33,918,400</u>	<u>30,524,732</u>	<u>23,206,321</u>	<u>15,643,215</u>	<u>15,926,646</u>	<u>15,111,754</u>
<u><u>\$48,928,956</u></u>	<u><u>\$49,543,872</u></u>	<u><u>\$56,830,026</u></u>	<u><u>\$62,283,408</u></u>	<u><u>\$58,167,773</u></u>	<u><u>\$52,375,860</u></u>
 <u><u>40.94%</u></u>	 <u><u>38.12%</u></u>	 <u><u>28.99%</u></u>	 <u><u>20.07%</u></u>	 <u><u>21.50%</u></u>	 <u><u>22.39%</u></u>

CITY OF MASON CITY, IOWA
 PLEDGED REVENUE COVERAGE - SEWER
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2015	\$4,335,092	\$1,978,379	\$2,356,793
2014	4,195,815	1,910,662	2,285,153
2013	4,374,579	1,898,650	2,475,929
2012	4,442,947	1,954,110	2,488,837
2011	5,231,916	1,672,145	3,559,771
2010	4,405,338	2,014,228	2,391,110
2009	4,442,190	1,908,966	2,533,224
2008	3,173,779	1,786,007	1,387,772
2007	2,673,287	1,814,148	859,139
2006	2,412,484	1,759,738	652,746

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015	\$883,000	\$327,360	\$1,210,360	1.95
2014	851,000	355,725	1,206,725	1.89
2013	824,000	383,290	1,207,290	2.05
2012	793,000	409,590	1,202,590	2.07
2011	897,000	437,287	1,334,287	2.66
2010	867,000	413,322	1,280,322	1.86
2009	690,000	169,170	859,170	2.95
2008	450,000	119,760	569,760	2.43
2007	455,000	117,276	572,276	1.50
2006	340,000	97,755	437,755	1.49

(1) Total operating expenses exclusive of depreciation and amortization.

See Accompanying Independent Auditor's Report.

**CITY OF MASON CITY, IOWA
PLEDGED REVENUE COVERAGE - WATER
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2015	\$5,702,460	\$3,108,777	\$2,593,683
2014	5,554,001	3,223,986	2,330,015
2013	5,751,609	3,161,914	2,589,695
2012	5,476,898	3,164,908	2,311,990
2011	5,337,691	3,263,510	2,074,181
2010	5,171,917	3,315,053	1,856,864
2009	4,950,216	3,145,518	1,804,698
2008	4,889,040	3,065,967	1,823,073
2007	4,781,241	3,063,093	1,718,148
2006	4,214,116	2,837,049	1,377,067

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015	\$1,109,000	\$196,048	\$1,305,048	1.98
2014	1,071,000	221,675	1,292,675	1.80
2013	1,038,000	366,230	1,404,230	1.84
2012	1,001,000	399,010	1,400,010	1.65
2011	970,000	430,760	1,400,760	1.48
2010	940,000	461,453	1,401,453	1.32
2009	915,000	491,288	1,406,288	1.28
2008	775,000	502,103	1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44
2006	693,000	426,008	1,119,008	1.23

(1) Total operating expenses exclusive of depreciation and amortization.

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2015	28,079	\$1,322,633	\$47,104	44.40	3,746	4.5%
2014	28,079	1,277,511	45,497	43.80	3,725	4.8
2013	28,079	1,157,557	41,225	43.80	3,751	5.4
2012	28,079	1,082,586	38,555	43.30	3,796	6.5
2011	28,079	974,538	34,707	43.30	3,860	6.6
2010	29,172	1,080,618	37,043	42.10	3,909	7.9
2009	29,172	1,010,401	34,636	42.40	3,649	5.4
2008	29,172	980,850	33,623	41.70	3,969	3.5
2007	29,172	951,824	32,628	42.20	4,102	3.3
2006	29,172	919,326	31,514	39.30	4,103	4.1

Source: (1) U.S. Census Bureau decennial census
(2) Department of Economic Development, State Demographer
(3) Mason City Community School District
(4) Iowa Workforce Development

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2015</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Mercy Medical Center - North IA	2,389	1	18.44%
Curries Manufacturing Company	600	2	4.63
Mason City Schools	531	3	4.10
Principal Financial Group	416	4	3.21
Smithfield	273	5	2.11
City of Mason City	258	6	1.99
Graham Doors	250	7	1.93
North Iowa Area Community College	225	8	1.73
Wal-Mart	210	9	1.62
Cargill Kitchen Solutions	189	10	1.46
Woodharbor Molding & Millwork	-	-	-
Oscar Meyer (Kraft Foods)	-	-	-
Hy-Vee Food Stores	-	-	-
Larson Manufacturing	-	-	-
Total	<u>5,341</u>		<u>41.22%</u>

Source: North Iowa Corridor Economic Development Corporation
Mason City Chamber of Commerce
Iowa Workforce Development

See Accompanying Independent Auditor's Report.

2006		
<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
1,900	1	6.29%
1,141	2	3.77
600	3	1.98
450	5	1.49
-	-	-
255	9	0.84
-	-	-
230	10	0.76
-	-	-
-	-	-
480	4	1.59
396	6	1.31
323	7	1.07
320	8	1.06
<u>6,095</u>		<u>20.16%</u>

CITY OF MASON CITY, IOWA
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public safety:					
Police - sworn	47	45	45	45	48
Police - civilian	5	5	5	5	5
Fire - sworn	44	44	45	44	44
Fire - civilian	2	2	2	2	2
Building Inspection	1	1	1	2	3
Plumbing/Electrical Inspection	2	2	2	2	2
Public works:					
Airport	5	5	5	5	5
Street	21	19	20	21	21
Arborist	1	1	1	1	1
Engineer	7	6	6	7	7
Health and social services:					
Youth Task Force	3	5	5	4	3
Health	1	1	1	1	1
Human Rights	-	-	1	3	3
Culture and recreation:					
Parks	6	6	6	6	6
Recreation	4	4	5	3	3
Library	17	17	17	18	18
Museum	7	7	7	7	7
Community and economic development:					
Neighborhood Services	4	3	3	3	2
Growth Development and Planning	3	3	3	3	3
Transit	17	18	16	14	16
General government:					
Administrator	2	2	2	3	2
Mayor	-	-	-	-	-
Finance	10	10	10	11	11
Clerk	1	1	1	1	1
City Hall	-	-	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	18	18	18	19
Sewer	15	15	15	14	16
Sanitation	11	12	12	10	12
Cemetery	3	3	3	3	3
Golf course	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>262</u>	<u>259</u>	<u>262</u>	<u>261</u>	<u>269</u>

Source: City Finance Department

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
48	48	45	48	50
5	2	4	10	9
44	44	44	44	44
2	2	2	2	1
3	3	3	3	3
2	1	2	2	2
5	5	5	5	6
20	22	21	21	21
1	1	1	1	1
7	7	7	5	7
4	5	4	4	3
1	1	1	1	1
3	3	2	2	2
6	6	7	7	7
3	4	4	4	4
14	15	15	14	14
7	7	7	7	6
2	2	2	3	3
3	3	3	1	3
17	17	14	15	14
2	2	2	2	2
-	-	-	-	-
11	11	11	8	7
1	2	2	2	3
1	1	1	1	1
2	2	2	2	2
19	18	19	22	21
16	16	16	17	17
12	11	12	12	12
3	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>266</u>	<u>266</u>	<u>263</u>	<u>270</u>	<u>271</u>

**CITY OF MASON CITY, IOWA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police:					
Physical arrests	2,904	3,260	3,428	3,082	2,776
Parking violations	2,596	3,078	2,288	2,678	4,432
Traffic violations	3,497	3,497	5,210	5,366	5,311
Fire:					
Fire calls answered	609	811	795	839	793
Ambulance calls answered	5,068	4,528	4,430	4,434	4,057
Inspections	1,113	708	1,103	1,961	1,690
Highways and streets:					
Street resurfacing (miles)	0.79	1.20	1.63	0.37	2.68
Potholes repaired	5,300	6,000	5,900	5,500	5,400
Sanitation:					
Refuse collected (tons/day)	31.93	31.29	31.99	29.00	31.94
Recyclables collected (tons/day)	4.43	4.53	4.90	4.82	4.84
Culture and recreation:					
Aquatic Center admissions	32,791	31,199	37,817	42,811	42,179
Water:					
New connections	39	38	32	26	31
Water main breaks	11	33	11	21	17
Average daily consumption (thousands of gallons)	4,528	4,542	4,542	4,828	5,300
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,311	5,499	5,499	6,712	6,810

Source: Various city departments

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2,295	4,129	3,049	3,373	3,309
4,161	5,885	7,560	4,328	3,870
2,043	3,117	5,952	6,502	4,463
731	762	766	746	779
3,755	3,912	4,032	4,138	4,374
1,411	1,216	1,025	600	373
2.40	2.60	3.04	5.59	4.22
5,300	5,000	5,000	5,000	5,000
32.60	27.50	32.52	32.09	31.44
4.86	5.50	5.50	5.50	5.70
33,616	39,074	39,726	51,751	54,997
15	21	3	15	10
17	11	10	11	8
5,324	5,865	5,673	5,784	5,819
6,689	6,658	7,421	7,040	6,637

CITY OF MASON CITY, IOWA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.32	152.32	152.49	152.39	152.33
Unpaved	40.93	40.93	41.12	41.12	41.12
Street lights	1770	1,768	1,767	1,765	1,761
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	49.01	48.46	48.46	48.46	48.13
Sanitary	164.57	164.57	164.57	164.57	164.53
Cemetery:					
Facilities	1	1	1	1	1
Acreage	74.12	74.12	74.12	74.12	74.12

Source: Various city departments

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1
1	1	1	1	1
152.33	152.06	151.93	151.93	151.69
41.12	41.12	41.12	41.12	41.12
1,761	1,760	1,760	1,760	1,750
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
48.13	47.95	47.95	47.95	46.91
164.53	164.31	164.31	160.92	159.84
1	1	1	1	1
74.12	74.12	74.12	74.12	74.12

**COMPLIANCE
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City of Mason City, Iowa's basic financial statements and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mason City, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mason City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mason City, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated December 29, 2015.

City of Mason City, Iowa's Response to Findings

The City of Mason City, Iowa's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mason City, Iowa, during the course of our audit.

Kronlage & Olson, P.C.

Charles City, Iowa

December 29, 2015



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Mason City, Iowa

Report on Compliance for Each Major Federal Program

We have audited the City of Mason City, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Mason City, Iowa's major federal programs for the year ended June 30, 2015. The City of Mason City, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mason City, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City of Mason City, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mason City, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mason City, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

Management of the City of Mason City, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mason City, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Mason City, Iowa's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

December 29, 2015

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
DIRECT:			
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2014	\$ 8,839
Juvenile Mentoring Program	16.726	2012-JU-FX-0031	44,313
Total			<u>\$ 53,152</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-39-2013	\$ -
Airport Improvement Program	20.106	3-19-0059-40-2013	-
Airport Improvement Program	20.106	3-19-0059-38-2014	681,197
Airport Improvement Program	20.106	3-19-0059-41-2015	-
Passenger Facility Charge			9,187
Total			<u>\$690,384</u>
<u>Department of Homeland Security</u>			
Assistance to Fire Fighters	97.944	EMW-2013-FO-06768	<u>\$ 46,917</u>
Total direct			<u>\$790,453</u>

(continued)

CITY OF MASON CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	10-DTR-006	\$ 63,775
100% Flood and Demolition Buyout	14.228	08-DRHB-226	95,320
Section 106 Planning Grant	14.228	08-DRI106-202	33,570
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	(377)
Flood Buyout #3	14.228	08-DRMH-247	(547)
Flood Buyout #4	14.228	08-DRMH-237	851
Total			<u>\$192,592</u>
Home			
Home Investment Partnership Program	14.239	07-HM-110-69	\$ -
Total			<u>\$192,592</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	11JAG-78280	\$ 23,051
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	11JAG-58784	-
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	11JAG-58921	-
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	12JAG-77764	15,200
Total			<u>\$ 38,251</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant			
	16.588	VW-14-66-CJ	\$ (21)
Federal Violence Against Women Formula Grant			
	16.588	VW-15-66	24,212
Total			<u>\$ 24,191</u>
Total			<u>\$ 62,442</u>
Department of the Interior:			
<u>State Historical Society of Iowa</u>			
Historic Preservation Fund Grants-in-aid	15.904	2015-08	\$ -

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
East State Street Resurfacing	20.205	STP-S-4822 (630)-70-17	\$ -
Sixth Street Resurfacing	20.205	STP-U-4822 (631)-70-17	-
Federal Aid Agreement- Monroe Avenue Trail	20.205	STP-E-4822 (632)-8V-17	-
Formula Grants for Other than Urbanized Areas			
Operating Assistance	20.509	18-0031-482-14	(8,292)
Operating Assistance	20.509	18-0030-482-15	401,424
Bus and Bus Facilities Formula Program			
Capital Assistance	20.526	34-0003-482-14	-
Capital Assistance	20.526	34-0003-482-13	-
Total			<u>\$393,132</u>
<u>Iowa Department of Public Safety</u>			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-14-402	\$ 4,020
Police Traffic Services	20.600	PAP-15-402	4,963
Total			<u>\$ 8,983</u>
Total			<u>\$402,115</u>
National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership Agreements			
Operating Support	45.025	2015-10334	<u>\$ 13,540</u>

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Homeland Security:			
Iowa Homeland Security and Emergency			
Management Division			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
Demolition Debris Removal	97.036	DR #1763-PW-9585	\$ 144,955
Demolition Debris Removal	97.036	DR #1763-PW-10529	423
Hazard Mitigation Grant			
22 nd Street	97.039	HMGP-DR-4126-0012-01	-
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	(1,132)
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	(42)
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	(1,642)
Total			<u>\$ 142,562</u>
Total indirect			\$ 813,251
Total expenditures of federal awards			<u>\$1,603,704</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	15279	\$ -
Airport Improvement Project	15254	(5,515)
Airport Improvement Project	15486	<u>20,666</u>
Total		<u><u>\$15,151</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mason City, Iowa. The City of Mason City reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 2 to the City's general purpose financial statements.

(3) Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the City's general purpose financial statements as follows:

	Operating Grants	Capital Grants	Loan Proceeds	Total
General Fund	\$1,174,868	\$ 740,147	\$ -	\$1,915,015
Special Revenue Funds:				
Unified TIF	-	65,073	-	65,073
City Administered Grants	-	59,412	-	59,412
FMA	-	157,865	-	157,865
Museum Trust	13,540	-	-	13,540
HMGP	-	101,068	-	101,068
	<u>\$1,188,408</u>	<u>\$1,123,565</u>	<u>\$ -</u>	<u>\$2,311,973</u>

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) One material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (d) The audit disclosed one deficiency in internal control over a major federal program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The programs tested as the major programs are:
 - CFDA Number 20.106 - Airport Improvement Program
 - CFDA Number 20.509 - Formula Grants for other than Urbanized Areas
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

There was no prior year or current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

- 2015-001 Determination of Accounts and Contracts Payable - At the end of each fiscal year, finance department interns determine the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2015, they recognized over \$1,544,000 of accounts and contracts payable, including approximately \$35,900 (material to three opinion units) incorrectly recorded as payables. However, they did not recognize an additional \$119,357 (material to one opinion unit) of mostly contracts payable at June 30, 2015, with a net effect of \$83,457 on the financial statements (material to only one opinion unit).

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements: (continued)

Recommendation -This is a significant improvement over the previous year. The interns should be further instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year, paying close attention to contracts. We would suggest that a written process be developed for the interns to use to determine when a payable should be recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

Response - We will be providing additional guidance to the interns and investigating the development of flow charts or materials to assist the interns in determining the appropriate classification at year end. These additional materials will be added to the written documents already included as part of the intern processes.

Conclusion - Response accepted.

2015-002 Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - There has been some improvement in the initial determination of the financial statement classifications and amounts by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

ALL GRANTS:

2015-003 See items 2015-001 and 2015-002 above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

NONE

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- 2015-004 Official Depositories - A resolution naming official depositories has been adopted by the City Council.
- 2015-005 Certified Budget - Disbursements during the year ended June 30, 2015, did not exceed the amounts budgeted.
- 2015-006 Questionable Disbursements - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 2015-007 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2015-008 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dennis Lewerke, Airport Commission - Woodharbor, Owner/Partner	Reimbursement	\$135
Caitlin Callahan, Historic Preservation Commission - Wright on the Park, Executive Director	Artist Commission	544
Mike Lashbrook, Housing Authority Board - City of Mason City, Police Chief	Reimbursement	722
Gary Anderson, Planning & Zoning Commission - Skott & Anderson Architects, Vice President	Services	770
Jay Leaman, Electrical Examiners & Appeals Board - The Electricians, Owner	Electrical services	1,749
Tony Johnson, Plumbing Appeals & Exam Board - Johnson Heating/AC, Owner	Plumbing repairs	2,036
James Miller, Environmental & Sustainability Advisory Commission - MetalCraft, VP of Engineering	Services	2,314
Tom Douglas, Housing Advisory & Appeals Board - Edwards Brandt Insurance & Realty, Partial Owner	Insurance	2,787

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Les Seltun, North Iowa Diversity Appreciation Team - Control Print Creative, President/CEO	Services	3,627
Robin Anderson, Youth Task Force - Mason City Chamber of Commerce, Director	Training Expenses	3,879
Craig MacDougall, Plumbing Appeals & Exam Board - Hank's Plumbing, Owner	Plumbing Repairs	4,225
Steve Clausen, Plumbing Appeals & Exam Board - Clausen Plumbing, Owner	Plumbing Repairs	4,801
Dennis Reidel, Library Board - Overhead Door of Mason City, President, CEO, CFO	Construction Services	6,402
T.J. Jumper, Youth Task Force - Asst. Superintendent, Mason City Schools	Recreation Services	7,001
Troy Swanson, North Iowa Corridor Economic Development Corporation Board - Cargill Kitchen Solutions, Site Manager	Services	13,351
Mark Ewy, Housing Advisory & Appeals Board - Custom Auto Body & self employed	Repairs	13,794
Doug Wiltsie, Electrical Examiners & Appeals Board - Blazek Electric, Vice President	Electrical Services	17,233
Dan Varnum, North Iowa Corridor Economic Development Corporation Board - Mercy Medical Center - North Iowa, President/CEO	Services	21,468
Mila Baier, Enterprise Zone Commission - Iowa Workforce Development	Services	30,237
Cheryl Hubbard, Building Advisory & Appeals Board - Henkel Construction, Construction Project Manager	Construction services	60,334

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tanner O'Brein, North Iowa Diversity Appreciation Team - Mainstreet Mason City, Executive Director	Services	86,803
Larry Elwood, Plumbing Appeals & Exam Board - Larry Elwood Construction, Owner	Construction Services	78,658
Joe Myhre, Enterprise Zone Commission - NIACOG, Executive Director	Transit Services	414,970
Walter Wendland, MacNider Museum Board - Golden Grain Energy, President & CEO	Tax Rebate	506,225
Kevin Pals, Youth Task Force - Cerro Gordo County Sheriff	28E Agreement	637,132

In accordance with Chapter 362.5(10) of the Code of Iowa, the first four transactions do not appear to represent a conflict of interest since the transactions were less than \$1,500 during the fiscal year.

All or significant amounts of the payments to Skott & Anderson Architects, Edwards Brandt and Associates, Larry Elwood Construction, Henkel Construction, Golden Grain Energy and Cerro Gordo County Sheriff were competitively bid, part of a development agreement or required by 28E agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

2015-009 Related Party Purchase Discrepancies - City purchasing policy requires department heads to obtain competitive bids (to include publication of a request for bids, description of the item being sought and a public opening and award of bids) for all annual cumulative purchase from a City employee, official or member of a board or commission exceeding \$1,500. Department heads are not aware of this policy and are not complying with the policy.

Recommendation - The policy should be reviewed to determine if this is the policy that the City actually wishes to enforce. The policy requires department heads to know the extent of purchases from a related party and would essentially require publication and taking of bids for purchases of minimal amounts.

Response - We are presently reviewing the policy to determine the extent of restrictions desired by the council.

Conclusion - Response accepted.

2015-010 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

2015-011 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

2015-012 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

2015-013 Water Billing Shortages - A multi-year analysis of water pumped from the water distribution center versus water billed shows that a significant amount of water pumped is not being billed. Water may not be billed for a number of reasons, including water used for firefighting, line flushing, certain municipal processes, line leaks, etc. An acceptable unbilled percentage of water pumped is in the 15% range. The percentage of water billed has steadily decreased from 81% in FYE 1996 to 71% in FYE 2004. The percentages billed in 2005 and 2006 were 59% and 56%, respectively. These were the years when major improvements were being made to the water distribution system. All of the construction and testing were completed prior to the 2015 fiscal year. During FYE 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015, records maintained by the water distribution supervisor and the water billing department show that only 63%, 59%, 53%, 63%, 67%, 71%, 67%, and 65% of the water pumped from the water distribution plant was actually billed, respectively.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Recommendation - Although the percentage of water pumped that actually was billed decreased due to main breaks during the last winter, progress is being made. The City should continue to investigate the calculation of water pumped to determine that it is being accurately measured. The City should also continue to review its billing process to determine that all customers are being billed. Gallons of water billed have decreased approximately 10% since FY 2003, at the same time that gallons of water pumped have remained steady.

Response - We have purchased leak detectors and are in the process of identifying leaks in the system. The capital improvements plan includes projects each of the next five years to replace leaking or old water lines. We are also tracking City-owned facilities' usage that is not being billed to determine how much it affects the percentage.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
 Corrective Action Plan for Federal Audit Findings
 Year Ended June 30, 2015

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
2015-001	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2016
2015-002	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2016
2015-003	See items 2015-001 and 2015-002 above			

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

FINANCIAL STATEMENTS

Finding 2014-001: Determination of Accounts and Contracts Payable

Condition - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist the interns in arriving at a materially correct number for these items.

Current Status - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

Finding 2014-002: Financial Statement Classification and Valuation

Condition - Material adjusting journal entries were required to properly classify and value financial statement amounts.

Recommendation - Additional instruction and supervision of the interns by the Director of Finance would reduce the number and amount of misstatements.

Current Status - Additional oversight was provided this year, but additional supervision and oversight is required.

Finding 2014-003: Financial Statement Findings

See items 2014-001 and 2014-002 above.

This page intentionally left blank